EUROPE'S BUSINESS NEWSPAPER

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Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls150	Portugal Esc120
Belgium BFr45	Israel IS3.50	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.70	Japan Y600	Spain Pta200
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils500	Sweden SKr9.00
Finland Fmk7.00	Lux LFr45	Switz SFr2.20
France FFr6.50	Malaysia Rngt4.25	Taiwan NT$65
Germany DM2.20	Malta 30c	Thailand Bt50
Greece Dr120	Mexico Pes2000	Tunisia Din1.000
Hong Kong HK$12	Morocco Dh6.50	Turkey L600
Iceland Kr125	Neth Fl3.00	UAE Dh6.50
India Rp15	Norway Nkr10.00	USA $1.00

US ELECTION
Choosing the free world's leader
Page 24

World News

PLO urges Israelis to vote against right wing

The Palestine Liberation Organisation stepped up its efforts to influence the outcome of next month's Israeli general election, calling on Jewish citizens and the minority Arab electorate to use their votes against the right wing. Page 26

Johannesburg bomb
Two people were killed and at least 40 injured when a car bomb, presumed to have been planted by the anti-apartheid African National Congress, devastated a South African shopping centre.

Philippines typhoon
Rescuers lost contact with a storm-battered ferry carrying 472 people that sent distress signals as typhoon Ruby pounded the Philippines with winds of up to 185 kph (115 mph). The typhoon left scores of people dead and 18,000 homeless. Page 4

Donations denied
The White House denied that former Philippine President Ferdinand Marcos made $12m in campaign contributions to US President Ronald Reagan. Page 3

Mandela progress
Jailed black South African leader Nelson Mandela is making "steady progress" as he recovers from tuberculosis and has resumed his exercise routine, a hospital doctor said.

'Pilot error'
A pilot performing a solo manoeuvre with the Italian national aerobatic team caused the Ramstein, West Germany, air show disaster that killed 69 people in August, according to a three-nation commission.

Afghan rebel claim
Moslem guerrillas fighting the Soviet-backed government in Kabul said they had captured an eastern provincial capital after a prolonged siege. Page 4

Soviets join rescue
Two Soviet ice-breakers were due to arrive in Alaska to join efforts by US scientists and Eskimos to free two whales trapped in the Arctic ice for more than two weeks.

Captain charged
The Italian captain of a cargo ship was charged with manslaughter, following a collision outside the Greek port of Piraeus on Friday night between the vessel and a Greek cruise liner that left two seamen dead, two tourists missing and 72 injured. Page 2

US building collapse
A seven-storey building in central Manhattan collapsed and police said some people may be trapped in the debris.

JFK mafia claim
US President John F. Kennedy was murdered by three French contract killers hired by the American Mafia, a British television documentary claims.

Greens searched
West German prosecutors searched the national headquarters of the Greens party in a tax-evasion probe that dealt another setback to the already embattled leftist group.

Belt up, Germany
West German drivers must wear seat belts in their cars even if they are parked with engines off, a court ruled.

Business Summary

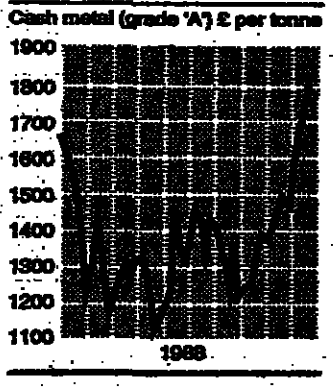
Sterling falls victim to strength of D-Mark

THE POUND fell victim to renewed D-Mark strength yesterday with the the Bank of England unable to prevent its decline from Friday's levels. The Bank intervened to support the pound which remained weak in the aftermath of UK Chancellor of the Exchequer Nigel Lawson's speech to the City of London last Thursday.

Sterling continued to suffer from Mr Lawson's admission that Britain would continue to run a large current account deficit until 1990 and the absence in his speech of any commitment not to devalue sterling. The Bank bought modest amounts of sterling for D-Marks but the pound closed in London at DM3.13, down on Friday's DM3.1375.

COPPER prices on the London Metal Exchange continued their recent record-breaking advance although retreating from earlier highs by the close after profit-taking to close a £1,833.5. Page 40

Copper
Cash metal (grade 'A') £ per tonne



KRAFT, largest independent US food company, said it was developing a leveraged recapitalisation plan to fend off the $11.4bn bid received last week from Philip Morris. Page 27

DAIMLER-BENZ, West German motor, electronics and aerospace group, plans to introduce a revised corporate structure. Page 27

NEW CAR sales in West Europe jumped by 5.2 per cent in September to 988,060 units, according to industry estimates. Page 2

EXXON, world's largest oil company, reported a 15 per cent rise in earnings for the third quarter as improved results from refining and chemicals operations made up for weak profits from production. Page 28

ALAN BOND'S Bond Corporation is to dispose of 5.5 per cent of Broken Hill Proprietary, Australia's largest company, as part of further disposals from Bell companies. Page 31

AKER, Norway's troubled industrial group, says profits will plunge this year to NKr100m ($15.1m) from NKr474m in 1987 despite an improvement in earnings for its offshore division and land-based construction. Page 31

THOMSON-CSF, defence and electronics subsidiary of France's state-owned Thomson group, reported net profits of FFr1.621bn ($256m) in the first half, up 6.6 per cent on same period last year. Page 30

SHEARSON Lehman Hutton, Wall Street securities house 60 per cent owned by American Express, plans to lay off 1,000 of its 1,800 staff. Page 28

CIBA-GEIGY, Swiss chemicals company, plans to spend SFr600m ($392m) over the next four years in reducing pollution from its manufacturing units in Switzerland. Page 2

FARLEY, US parent company of textiles group Fruit of the Loom, is offering $48 a share for West Point-Pepperell, biggest US textiles and clothing maker, valuing it at $1.4bn. Page 28

Wall Street firms line up in $20bn battle for Nabisco

By James Buchan in New York

A PLAN TO pay $20.3bn to buy out the public stockholders of RJR Nabisco, the 19th largest US company, was unveiled yesterday by Kohlberg Kravis Roberts, the Wall Street investment partnership.

The $90-a-share offer, which came as a surprise to US securities markets, is by the far the largest ever for an industrial corporation and easily tops a $75 per share or $17bn bid last week from senior managers at RJR itself. It sets the stage for a possibly brutal struggle to control and, ultimately, liquidate the Atlanta-based tobacco and food group.

Kohlberg Kravis, the pre-eminent Wall Street specialist in so-called leveraged buy-outs, said yesterday it would offer $90 in cash and securities for each share of RJR. "Management has decided that the company should be sold," said Mr Henry Kravis, one of the founding partners of the firm. "Our offer is a superior one. Our *background and experience in* completing sizable transactions enables us to proceed rapidly to conclude this transaction."

Yesterday's announcement pits Wall Street's most powerful firms against one another in a tussle for hundreds of millions of dollars in investment banking and financing fees. Lined up with Kohlberg Kravis are two heavyweight Wall Street firms, Morgan Stanley and Merrill Lynch; Drexel Burnham Lambert, which dominates *the market for the high*-cost takeover finance called junk bonds; and Wasserstein Perella, Wall Street's leading takeover tactician.

Arrayed against them are Shearson Lehman Hutton, the second largest US investment bank, and leading managers of RJR under Mr Ross Johnson, its tough but highly regarded chief executive. Last Thursday, they announced that they were seeking board approval to make a buy-out offer at $75 a share. RJR's current managers are considered to be a key to any deal, because they would be needed to operate and liquidate the company successfully.

In a typical buy-out, management and outside investors such as Kohlberg Kravis buy the company with very little equity but large amounts of bank debt and junk bonds secured on businesses that can easily be sold. Kohlberg Kravis, which pioneered the lucrative buy-out business in 1976 and has done over $38bn in deals, remains dominant in the market.

But analysts say competition has sharpened this year as the prospect of big equity profits has attracted a flood of institutional capital into buy-out funds. According to IDD Information Services, Wall Street firms have made buy-out offers

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Lex, Page 26

Kraft plans to fend off Philip Morris

KRAFT, the biggest independent US food company, said yesterday it was develop*ing a big leveraged recapitalis*ation plan to fend off the $11.4bn bid from Philip Morris, the US tobacco and consumer products group. Mr John Richman, Kraft's chairman, issued an unusual denunciation of the current financial practices on Wall Street and expressed "deep regret" at "hardships and dislocations" which the recapitalisation would cause. Page 27

Mexico sells off airline to speed privatisation plans

By Lucy Conger in Mexico

THE MEXICAN Government has sold Aerovias de Mexico, formerly AeroMexico, for $330m to a group of leading private-sector investors.

The deal comes less than six weeks before President Miguel de la Madrid hands over to Mr Carlos Salinas de Gortari and is part of plans to accelerate privatisation in the wake of last week's unexpected $3.5bn bridging loan offered by the US.

The sale also marks the first significant privatisation of a large carrier in Latin America. In Argentina the Government has authorised a deal by Aerolinas Argentinas, the national airline, giving Scandinavian Airways Systems a minority stake.

The Mexican airline, which has been rationalised since it went bankrupt earlier this year, could benefit from a US-Mexican agreement opening up many destinations in the US, including Washington DC, Phoenix and Las Vegas.

The sale is expected to be followed by the privatisation of the other national carrier, Mexicana; and should be seen against the background of efforts to deregulate air traffic and stimulate tourism.

The Mexican consortium, which includes Mr Miguel Aleman Velasco, head of Televisa, the media and business group, and Mr Carlos Abedrop Davila, the brokerage house owner, will pay cash for a 65 per cent stake in the airline.

The consortium company, Dictum, also includes Mexico's leading private-sector shipping group, Transportacion Maritima Mexicana, and the industrialists Mr Enrique Rojas Guaderrama and Mr Jose Serrano Segovia. The powerful pilots' union, Asociacion Sindical de Pilotos de Mexico, holds the right to buy up to 35 per cent of the airline's shares.

Bancomer, one of the nationalised banks, will buy a minority portion of the consortium's stake for resale later to smaller investors.

Under accelerated plans for privatisation, a senior official said last week that Mexico would sell 30 public sector companies by late November to raise $307m. These sales are intended to send a positive message to Mexican investors at a delicate time leading up to the December 1 inauguration of Mr Salinas. He needs to establish credibility and popularity amid accusations of electoral fraud and a deepening economic crisis.

UK given space cash deadline

By Peter Marsh in London

FAILURE by Britain to resolve a dispute over finances with the 13-nation European Space Agency could put at risk contracts with UK companies concerning an important satellite project.

The UK has been given until the end of next month to decide whether to remove its veto of a proposed spending increase concerning ESA space science projects. A continued veto could lead to pressure on the UK to withdraw from the ESA.

The increase, which the other 12 members of the agency want to implement, is intended to raise the agency's space-science spending by 25 per cent to £170m ($290m) a year by 1994.

Professor Reimar Lüst, ESA director-general, said recently that if the UK did not retract its veto the agency might be unwilling to award contracts to British companies in part of the European space programme – in which the UK is anxious to have a leading role – involving a £400m scheme to build a remote-sensing satellite for taking scientific readings of the earth and its atmosphere.

Companies such as British Aerospace and General Electric Company believe they are in a good position to gain significant contracts related to the project.

The UK Government wants to back the remote-sensing programme, which is linked to a wider ESA scheme to build the Columbus space laboratory, because it appears to have a good chance of leading to commercial spin-offs.

The programme is due to provide information about the Earth's surface in the form of space snapshots, which could be of use, for example, to farmers wishing to monitor crop growth.

ESA has considerable leeway to decide not to award the contracts to the UK companies on the grounds that Britain only recently decided to join the Columbus programme, several months after it had been due to make up its mind.

Failure to settle the space-science issue – which comes a year after an earlier series of rows between Britain and the Paris-based ESA over money and the consequent delaying of support for Columbus – could lead to the UK coming under pressure to withdraw from the agency.

Prof Lüst said there was no question of the agency expelling Britain as a result of the space-science argument.

He added, however, that if the UK insisted on blocking the science-spending increase it might be sensible for Britain to decide for itself that it no longer wanted to be part of ESA.

The envisaged increase in space science spending would involve Britain's own annual contribution to ESA, which now totals some £90m, rising by about £8m by 1994.

The agency's science programme, most of which involves building satellites for astronomy and similar studies, accounts for about 10 per cent of this year's ESA budget of £1.5bn.

Background, Page 10

Chancellor Helmut Kohl of West Germany in Moscow yesterday with Mrs Raisa Gorbachev, wife of the Soviet leader

Gorbachev remains firm over W Berlin

By Quentin Peel and David Marsh in Moscow

MR Mikhail Gorbachev, the Soviet leader, last night warned West Germany against trying to extract concessions from Moscow over the status of West Berlin.

In a Kremlin dinner speech, he offered "the hand of friendship" to Chancellor Helmut Kohl but gave no hint of compromise on West German hopes that detente could pave the way for eventual reunification with East Germany.

Mr Kohl, speaking after a day of intensive bilateral talks at the beginning of his four-day trip to Moscow, openly called on the Soviet leader to respect the German wish "to come together in mutual freedom."

His host, stressing the special Soviet relationship with East Germany, chose rather to tackle the long-standing dispute over the status of West Berlin. He criticised repeated efforts by Bonn to treat the Western sector of the divided city as part of the Federal Republic in its bilateral agreements.

"The Federal Republic says that if the Soviet Union will not give way on this, it will put a brake on our relations," he said. That stance would not be compatible with improving East-West ties.

Mr Gorbachev's remarks came at the end of a first round of talks in which both sides were anxious to display a new-found harmony.

The Soviet leader told a large delegation of visiting West German industrialists that "the ice has been broken", while West German spokesmen said bilateral relations had "opened a new chapter."

West German companies in Moscow yesterday signed 16 different co-operation agreements.

In spite of the flurry of economic accords, Mr Gorbachev showed obvious irritation at Western suggestions that the Soviet Union was incapable of solving its economic difficulties without outside assistance.

"We will cope," he insisted, defending his economic reform programme. The Soviet Union had taken a firm decision to expand its trade relations with the outside world, but this could only be done "on an equal footing" with the West.

Both governments yesterday

Continued on Page 26
Nuclear reactor deal, Page 9

Brussels attacked by auditors over food surpluses

By Tim Dickson in Brussels

THE FINANCIAL management of the European Community's vast food mountains was sharply criticised yesterday in a report from the EC's external audit body, the Court of Auditors.

Authorities in the member states and at the European Commission came in for severe rebukes in the study, which highlighted "inadequate" controls over the EC's surplus supplies of dairy products, cereals and beef and drew attention to "Byzantine" accounting procedures for keeping track of their cost.

In one of the most serious audit qualifications it has ever made, the Court concluded that "it is technically impossible to arrive at any audit opinion whatever on the view presented by the... (agriculture) budget accounts of public storage expenditure."

Previous criticisms from the Court of Auditors have often been brushed aside in Brussels as either wide of the mark or out of date, but in a significant departure last night the European Commission confirmed that it planned to convene a working group of representatives from EC countries to examine the main recommendations.

"We can't subscribe to the broad conclusion that a lot can be improved but we are going to submit it to the member states to see what can be done," a spokesman said.

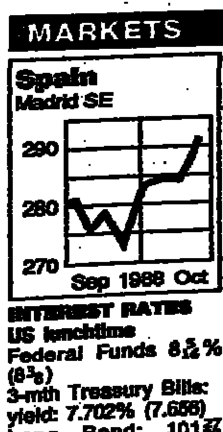
Public storage of agricultural products is largely the responsibility of intervention boards run by each of the member states, which pay farmers for their unwanted output, negotiate with the owners of the mostly privately run storage concerns, and subsequently are repaid out of the Community's budget. About 20 to 25 per cent of the EC's farm budget is eaten up by these costs – Ecu5bn ($5.75bn) in 1986 and Ecu3.7bn for the first 10 months of last year.

The most dramatic part of the Court's report – which covers West Germany, France, Italy, Ireland, the Netherlands and the UK – deals with physical control problems. Among examples said to be "not exceptional" the research team found an Italian storekeeper, responsible for buying and selling quantities from "intervention," who was also an agent for companies on the other side of the transactions; a consignment of cereals which had

Continued on Page 26

MARKETS

Spain
Madrid SE



STERLING
New York close
$1.745 (1.7635)
London:
$1.7525 (1.763)
DM3.1300 (3.1775)
FFr10.7000 (10.65)
SFr2.6550 (2.685)
Y222.25 (224.25)

DOLLAR
New York close
DM1.7925 (1.7775)
FFr6.1285 (6.079)
SFr1.519 (1.505)
Y126.95 (126.175)
London:
DM1.7865 (1.7805)
FFr6.1050 (6.085)
SFr1.5145 (1.5075)
Y126.75 (126.35)

GOLD
New York latest
Comex Dec $408.8 (411.5)

INTEREST RATES
US lunchtime
Federal Funds 8⅛% (8⅛)
3-mth Treasury Bills: yield: 7.702% (7.656)
Long Bond: 101$\frac{5}{32}$ (102$\frac{7}{32}$)
yield: 8.94% (8.869)
London
3-month Interbank close 12⅛% (11⅞)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,170.34 (-13.16)
S&P Comp 282.28 (-1.38)
London:
FT-SE 100 1,848.4 (-10.9)
World: 133.09 (Fri)
Tokyo
Nikkei Ave 27,281.54 (-57.03)
Frankfurt
Commerzbank 1,805.5 (-11.3)

OIL
Brent 15-day (Argus) $12.285 (-$1.05) (Nov)
West Tex Crude $13.285 (-$1.19) (Dec)

CONTENTS

EUROPEAN NEWS

Italian ship captain faces charges over cruise deaths

By Andriana Ierodiaconou in Athens

THE CAPTAIN of the Italian freighter which collided last Friday with the cruise ship Jupiter carrying several hundred British schoolchildren was charged yesterday in Pireaus with manslaughter, causing bodily harm, and causing the sinking of a vessel through negligence.

According to the charges Captain Flavio Camminale (45), master of the Adige, violated harbour regulations and provisions for the prevention of collision, and the safety of human life at sea. He is to appear before an investigating magistrate tomorrow.

Two passengers are still missing after the accident – a 14-year old schoolgirl, and a 41-year-old teacher who was officially declared unaccounted for yesterday.

● The Greek Socialist Government yesterday defended, against a barrage of press and opposition criticism, the prodigal welcome afforded over the weekend to Mr Andreas Papandreou, the Prime Minister, on his return to Athens after a two month absence in London for medical treatment.

The Socialist party machine had pulled out all the stops in an effort to assemble supporters from across Greece. But although tens of thousands attended the event, it fell far short of past Socialist successes in crowd-management.

The leader of Greece's conservative opposition, Mr Constantine Mitsotakis, castigated the welcome as a "laughable" failure, while the opposition Communists even more colourfully termed it a "Waterloo" for the Socialists.

Criticism was aroused particularly by the monopolisation of the state-controlled television and radio channels, which for two days led news bulletins with bombastic reports of Mr Papandreou's arrival.

The nature of the coverage was reported to have led at least two state television anchormen to refuse to present the relevant bulletins. A government spokesman responded yesterday that anyone not willing to present government announcements on television "may resign."

Digital mobile phone plan rings bells all over Europe

Terry Dodsworth counts the winners and the losers so far in the battle for contracts

FEW, IF ANY, European industrial projects have excited as much cross-border interest as the plans for an integrated digital mobile telephone system for the region. Conferences on the subject, running at about one a month since the summer, are regularly packed to overflowing. And since contracts for the network began to flow in last July, the industry has been gripped by one overriding question: which companies are winning and losing the market battle?

If the pan-European system is to meet the objectives of its founding fathers, this question is a crucial one. The plans envisage the emergence of a streamlined European industry, selling to a larger, regionally-organised market rather than the national companies of the past.

This structure, it is argued, should encourage companies to pool their resources and cut costs in a process that will make them more competitive in world markets.

But if this is to happen, there will have to losers as well as winners – and everyone in the industry is watching the ordering pattern to see who they might be. *So what trends have emerged from the first batch of orders?*

First of all, it is clear that the old national barriers have not simply collapsed under the pressure of the new political will for integration.

In the big three markets – West Germany, France and Britain – the companies that will operate the digital mobile system have in the main opted for supply consortia headed by companies they know. These lead suppliers are mostly switch manufacturers, who will be responsible for welding their products together with the radio technology which constitutes mobile cellular networks.

The second point is that this conservative ordering pattern nevertheless contains some warnings for the established suppliers. In the UK, for example, Orbitel, the manufacturing group formed by Plessey and Racal, has been awarded a contract alongside Ericsson of Sweden by the Vodafone operating company, thus breaching the monopoly Ericsson has had on supplies of the present analogue network.

In the Nordic countries, which run a common cellular system, there has also been another break in the established pattern with the appointment of Motorola to set up a validation system to show the technology working in Norway. Ericsson up to now has been the prime supplier in this region. And in West Germany, where Siemens dominates the current analogue market, the authorities have gone for a competitive approach with the selection of three contractors.

Third, the first step towards the integration of the industry has been taken with the creation of a number of consortia.

Several of these groups involve cross-border arrangements, and generally demand a rationalisation of resources, with one company concentrating on switching, and another on radio base stations. Among these organisations, the most impact has been made up to now by the the group linking Alcatel of France with Nokia of Finland and AEG of West Germany – a collaborative group which has established a strong foothold in both France and West Germany.

Fourth, the emphasis on the European character of the digital initiative is not being used to exclude non-European companies *altogether, even if* some member countries might like to do so. Indeed, one of the most obvious successes of the ordering programme so far has been Motorola, which has won a large contract with Cellnet in the UK, and two validation system orders in Norway and Spain.

These deals reflect both the strength of Motorola's technology in this field, as well as clever political footwork: the company has set up extensive manufacturing operations in the UK, and has bought Storno in Denmark in order to establish its European credentials. The Japanese, by comparison, have not so far muscled their way into the infrastructure markets, although NEC tendered for some contracts.

Fifth, there is still a lot to play for. One of the key features of the digital system will be the common design of certain critical parts that will allow the same telephones to be used anywhere in the region. This means that operating companies should be able to integrate new switches and suppliers into the system much more easily than in conventional telecommunications networks – hence giving them the opportunity to change if they are dissatisfied.

At the same time, both France and West Germany are planning to introduce a duopoly network structure, as in the UK, to increase competition. This will also open up opportunities for further suppliers.

Finally, most of the supplier companies expect two quite different industrial structures to develop for the supply of infrastructure equipment on the one hand, and telephone handsets on the other.

On the infrastructure side, there is a widespread belief that there will *have to be a steady amalgamation of* resources into about five main supplier companies. This is because of the economics of the business which demands heavy research and development expenditure.

Analysts believe that companies will need revenues of about $100m a year to make a reasonable profit in this field. Given a potential market of about $5bn over 10 years, this would lead to an appropriate market structure of not more than five main suppliers, although each of these will be expected to have a cluster of sub-contractors surrounding them.

Telephone handsets, however, require less intensive investment. They can also be sold to different customers far more easily than switching systems, which have to be integrated into complex networks. In this field, therefore, producers are expecting a plethora of competitors, particularly in the early days before the market settles down.

For the time being, with the digital system not due to be launched before 1991, the identity of these companies is not of central importance. But it is sure to include several Japanese groups – NEC and Panasonic, for example, are already producing analogue handsets in the UK – along with Nokia and Motorola, the two leading manufacturers worldwide.

Alongside these established heavyweights, *there will be a number of hopeful new European competitors struggling for a place in the sun – and for an opportunity to vindicate the pan-European policy.*

Ciba will spend £296m curbing pollution

By Peter Marsh

CIBA-GEIGY, the big Swiss chemicals company, plans to spend SFr800m (£296m) over the next four years in reducing pollution from its manufacturing units in Switzerland.

The programme, which is needed to meet tougher Swiss regulations on environmental protection, will entail a doubling in spending by the company over this period on worldwide anti-pollution projects.

Mr Alex Krauer, Ciba-Geigy's chairman, said he could have no real complaints about being forced to increase spending on pollution control. Some of the measures would pay for themselves in terms of reduced waste of materials and better quality control.

The SFr800m programme will pay for a series of investments at plants and warehouses to step up controls over liquid and gaseous wastes and to deal with solid refuse through techniques such as incineration.

The programme by Ciba-Geigy, which is Western Europe's fifth biggest chemicals company, illustrates the increased pressure being put on the European chemicals industry to reduce the impact of pollution.

The pressure is particularly intense in countries like Switzerland and West Germany which have relatively strict environmental laws.

Mr Krauer said he thought that over the next few years there would be a levelling off in the effects of legislation as a result of increased interest in other countries in toughening their anti-pollution regulations.

He thought companies in the UK – which at the moment has rules over pollution control which are significantly looser than those in countries like Switzerland – would eventually have to meet stricter environmental safeguards.

"I notice that Mrs Thatcher said the other day that Britain would have to adapt," said Mr Krauer, referring to the recent speech by the UK Prime Minister in which she announced her new-found interest in environmental matters.

Fraga enters leadership lists again in Spain

By Peter Bruce in Madrid

LIKE A heavyweight boxer incapable of retiring, the veteran *right-winger Mr Manuel* Fraga announced yesterday that he would stand again for the leadership of the main opposition party, the Alianza Popular, in an effort to stop it falling apart.

Mr Fraga, a powerful information and tourism minister under General Franco for most of the sixties, founded the AP after Franco died in 1975. He left the leadership in December 1986 after suffering yet another withering electoral defeat at the hands of the Socialists.

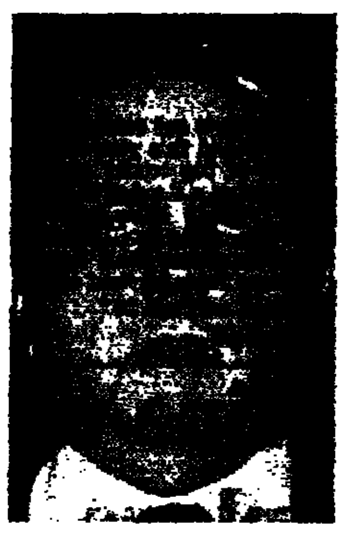
"I do not want to be an obstacle," he said then in his *letter of* "irrevocable" resignation, in recognition that his past association with the dictatorship was a political liability in a democratic Spain.

He was replaced by 37-year-old Hernandez Mancha, a *diminutive figure both* physically and politically who has failed to unite the party or move it to the political centre. Most senior AP figures have abandoned him in the past few months.

The two men met yesterday, and Mr Mancha refused not to contest the leadership at next January's party conference. Mr Fraga's return would damage the centre-right, he said.

While some AP leaders have greeted the idea enthusiastically, some of Mr Mancha's critics on the left may seek a third candidate and thus ensure that the second leadership contest in two years turns into a damaging public brawl.

Mr Fraga, a tough, almost intimidating, figure in the mould of the late *Franz Josef* Strauss, will probably win in January, drawing many voters from the far right back into the fold. But it would almost certainly wreck any hopes of an electoral pact between the AP and the country's other significant right-wing grouping, the Centro Democratico Social (CDS), led by the former Prime Minister, *Mr Adolfo Suarez.*



Fraga: back in the ring

Mr Mancha has been trying to engineer a series of pacts with the CDS in local government but relations between Mr Fraga and Mr *Suarez* have been bad ever since King Juan Carlos chose Mr Suarez over Mr Fraga to lead an interim Government in 1976. Mr Fraga refused to serve under Mr Suarez and instead founded the AP.

Although Mr Felipe Gonzalez' Socialist Government has been beset recently by a series of minor scandals it seems highly unlikely that the AP would trouble him with Mr Fraga back in charge. The CDS could well be the main victim.

An early test will come next spring in elections for the European Parliament, and the old agreement under which the Socialists did not refer to Mr Fraga's Francoist past is unlikely to operate again.

The AP has just 66 seats in the lower house of the Cortes, the 350-seat Spanish Parliament. The Socialists have an absolute majority of 184 seats.

Romania to supply Dacia car kits to Hungary

By Leslie Colitt in Berlin

AFTER scouring the world for a manufacturer which can provide new cars on favourable terms, Hungary appears to have found an unexpectedly eager supplier in Romania.

Casting aside for a moment their raging political conflict, they have signed a declaration of intent under which Romania will deliver Dacia cars in kit form to Hungary which will assemble as many as 50,000 annually in a few years. The Dacia is a licensed version of the old Renault 12.

The Hungarian press recently described the Romanian car as *one of the* world's worst built. It is widely referred to by Budapest taxi drivers as "(President Nicolae) Ceausescu's revenge."

The Hungarian news agency MTI said Romania was "eager and willing" to supply its cars to Hungary. Digep Engineering Company near Miskolc in Hungary is ready to begin assembling the Dacia 1320 hatchback within four months, according to MTI. Romania is already Hungary's leading source of cars, delivering 22,000 Dacias this year.

Other East European countries say they cannot increase deliveries beyond the 85,000 they are supplying this year.

The Budapest Government has negotiated without success with Opel in West Germany and Suzuki in Japan to set up an assembly plant in Hungary. More than 350,000 Hungarians are currently on waiting lists for new cars.

MTI reported that Digep was expected to supply 30,000 polyurethane car seats to Romania next year in return for 8,000 Dacias. Later, Hungary hopes to provide other Hungarian-made components for the car, including gears, generators, batteries and lamps.

UK to play down social issues at Rhodes talks

By David Buchan in Luxembourg

BRITAIN IS seeking to limit the prospects for a *free-ranging* discussion, at the European Community's summit in Rhodes in December, of social issues that could lead to a damaging row with its EC partners.

At a meeting here of Community foreign ministers, British officials claimed general acceptance that EC leaders at Rhodes would discuss only those few social measures already ripe for ministerial negotiation.

Mrs Margaret Thatcher, the UK Prime Minister, has derided as "social engineering" the calls by some other EC leaders, notably Chancellor Helmut Kohl of West Germany, and Mr Jacques Delors, the Commission president, for the Community to acquire a "*social dimension*."

However, the Greek presidency of the Council of Ministers, which will control the Rhodes agenda, made it clear yesterday that it would not be deflected from its ambition for a wide-ranging summit discussion of EC social issues, such as worker participation in corporate management.

Mr George Gennimatas, the Greek Social Affairs Minister,is flying to Luxembourg today to brief foreign ministers on his dossier.

Several other foreign ministers yesterday joined Sir Geoffrey *Howe of Britain* in leaving lower level ministers and officials to listen to the Greek minister.

Debate on the EC's economic and political position in the world will also feature at the Rhodes summit.

Sir *Geoffrey Howe* yesterday claimed there was "tremendous common ground" that the Community should not try to bail Mr Mikhail Gorbachev out of his economic problems with massive EC aid.

"*Loose talk*" of Marshall Plan-type aid to the East had misled many people into imagining differences between the UK and others. In the context of a possible EC economic accord with Moscow, "we must *not be drawn into things to our* disadvantage," Sir Geoffrey said. The West should give Moscow "credit, but not charity."

"Britain appears satisfied with the generally free-trade stance taken by the Brussels Commission last week, and claims that Mrs Thatcher's controversial Bruges speech had influenced Europeans in this regard.

A key test may, however, come this week when the Commission discusses the future of the EC car industry.

Finsider plan faces threat on imports

By David Goodhart

THE West German steel *industry yesterday threatened* to press for import curbs on Italian steel if the European Commission does not withdraw its provisional agreement to the Italian Government's restructuring plan for its state-owned steel group Finsider.

Mr Ruprecht Vondran, director of the West German Iron and Steel Federation, said the Italian plan - which involves the wiping out of £3.25bn of debt in return for closing 1.2m tonnes of hot rolled steelmaking capacity - ran contrary to EC policy of supporting the closure of unprofitable plants.

"The Commission and the Italian Government will have *to revise their positions,*" said Mr Vondran.

The Federation claims the Italian Government has paid an average subsidy of DM440 (£139) per tonne of rolled steel since 1980 and DM330 per tonne of raw steel, while German producers received less than half that.

But the main objection is the low-level of capacity withdrawal in the Italian plan. The Federation says since 1985 steel-making capacity in Italy has risen by 1.6m tonnes while it has shrunk by 2.3m in Germany.

The Federation also believes that big plants, such as that at Bagnoli, near Naples, would remain unviable under the plan and would thus require further subsidy in the future.

Although the Italian Government says it will cut 20,000 out of 70,000 jobs the West German, British and Netherlands governments all consider the plan far too generous and Mr Vondran warned that "there is very little room for negotiation with the current proposals".

Spain and Portugal could join WEU next month

By Robert Mauthner, Diplomatic Correspondent

THE NEGOTIATIONS for Spain's and Portugal's membership of the seven-nation Western European Union are on the point of being concluded and a treaty of accession could be signed as early as next month if remaining legal problems can be settled in time.

Officials and experts are pulling out all the stops to conclude the draft membership protocol for signature at the six-monthly meeting of WEU foreign and defence ministers in London on November 14.

However, even if they do not succeed in overcoming the final technical difficulties within the next three weeks, the ministers are still expected to make it clear that no political obstacles remain in the way of Spanish and Portuguese entry into what is essentially a defence grouping.

Given the specific mutual defence commitments Spain has had to make in adhering to the 1948 Brussels Treaty, which set up the WEU, and Madrid's reservations about a *nuclear defence strategy*, the negotiations will have been concluded remarkably quickly. Altogether, the talks on essential problems, which started at the end of May, will have lasted barely longer than five months.

The problems for Spain were much greater than those for Portugal because, unlike its small Iberian neighbour, Madrid does not intend to become a member of Nato's integrated military command. The WEU member states have accepted that Spain should negotiate similar guidelines for military co-operation with Nato's supreme European command (Saceur), to those worked out by France, also a member of the Atlantic alliance, while not being part of its integrated structure.

One fundamental membership condition contained in the Brussels Treaty, which the Spanish have agreed to accept, is the undertaking by all signatory countries to come to each other's aid in the event of an attack by a non-member aggressor.

It is understood that Madrid has agreed to create a rapid intervention force on the French model to fulfil this role, though it is generally accepted that its forces would be deployed mainly in the Mediterranean region.

The nuclear issue has, essentially, been fudged. Spain has accepted the political commitment to a defence and deterrence strategy based on a mix of nuclear and conventional forces, laid down in the "Platform on European Security Interests," adopted at the Hague ministerial meeting in October 1987. It has also welcomed the contribution of the French and British nuclear forces to the defence of Europe. On the other hand, the present WEU members have accepted Spain's policy not to allow any nuclear weapons to be stationed on its territory.

A potential sticking point in the negotiations because of the long-standing disagreement between Britain and Spain over Gibraltar – the Brussels Treaty's stipulation that disputes between member states should be referred to the International Court in the Hague – has been neatly side-stepped.

It has been agreed to specify in an exchange of letters that only disputes arising after the entry of Spain and Portugal will be subject to the judgments of the Hague court, and that others with a much longer history, like Gibraltar, will be exempt from this procedure.

A *similar provision* was made in 1954, when the original grouping of Britain, France and the three Benelux states, was enlarged with the entry of West Germany and Italy.

ACCORD NEAR ON MANDATE FOR NEW CONVENTIONAL ARMS TALKS

NATO AND the Warsaw Pact countries have virtually reached agreement on a mandate for new conventional arms talks, writes Judy Dempsey in Vienna. But serious obstacles, particularly over humanitarian issues, continue to block agreement at the related European security talks which have to be finished before the arms negotiations can begin.

On the mandate, the only significant problem is that the 23 participants have yet to agree on what parts of Turkey should be included in the arms talks. Diplomats believe this can be resolved over the next few weeks.

But at the related talks of the 35-nation Conference on Security and Co-operation in Europe *progress has not been so steady*. Areas of difficulty include travel and emigration rights and the venue for any follow-up meetings on human rights.

The *Soviet delegation* along with some of its East European allies seem determined that Moscow should play host a special conference on human rights. But several Western delegations, in particular the British and US, remain dubious about Moscow's suitability as a location. They are seeking to link any concession on this point to agreement by the Soviet side on the establishment of a new mechanism or procedure to monitor human rights.

France and Italy, in contrast with the English-speaking countries, have in recent weeks indicated willingness to accept Moscow as a venue for a *human rights* meeting.

London and Washington remain doubtful about allowing Moscow an "enormous public relations coup", in the words of one diplomat, at a time when *the Soviet Union still has politi*cal prisoners and jams some radio stations.

In a bid to secure agreement by Christmas, the 12 neutral and non-aligned participants last week presented working papers to which East and West will reply later this week.

Belgrade opens economy

By Aleksandar Lebl in Belgrade

MAJOR changes to the Yugoslav constitution, designed to make enterprises more independent and give greater play to market forces, have been approved by the country's federal legislature, clearing one of the last hurdles to their passage.

The changes have now been sent for scrutiny to the legislatures of the country's six republics and two provinces. However, observers said they should now be passed in broadly their current form by the federal assembly at the end of November, the target date.

The amended constitution would recognise the operation of market forces in the allocation of capital, labour and goods. Enterprises would be allowed to raise capital through marketable bonds and *shares, and small private busi*nesses would be granted more freedom.

Other provisions would enable the authorities to offer better terms to foreign investors.

Norway makes third interest rate cut

By Karen Fossli in Oslo

NORWAY'S central bank yesterday cut its overnight lending rate by 0.4 percentage points, following last week's half-point fall in the NIBOR (Norwegian Inter Bank Overnight Lending Rate). The market is anticipating a further cut after inflation figures due *to be released on November 10*.

The reduction, from 12.8 per cent to 12.4 per cent, is the third this year despite an earlier suggestion by Mr Hermod Skaanland, governor of the central bank, that interest rates would have to remain relatively high to restore balance to Norway's oil-dependent economy which continues to suffer because of low oil prices.

Mr Skaanland said yesterday that the reduction was made because of signs that inflation had been brought under *reasonable control and that credit* demand had been curbed. Inflation, which in June to September fell to 6.4 per cent from 7.1 per cent, is still relatively high in international terms.

The minority Labour Government has consistently pledged this year to gradually bring interest rates down, but has exercised caution in doing so for fear of increasing credit demand.

Norway's krone has remained relatively stable in the past month despite the *drop in oil prices to below $12 a* barrel, its lowest in two years.

Analysts said yesterday's fall in the krone was mainly because of yesterday's drop in oil prices rather than the interest rate cut.

Congress boosts Hungary tourism

MR KAROLY Grosz, the Hungarian Prime Minister and Communist Party leader, welcomed 6,000 travel agents to his country on Monday with pledges of allegiance to private enterprise, Reuter reports from Budapest.

He was addressing the first annual congress held in Eastern Europe by the American Society of Travel Agents (Asta), the world's largest tourist *industry organisation*. "We aim to make the entrepreneurial spirit and that of competition dominant in the economy," Mr Grosz said.

Beyond the immediate hard currency earnings to be reaped from Asta's delegates packing top hotels, Hungary can look forward to a surge of US visitors after the congress. Some 111,000 US travellers visited the country in 1987.

W European new car sales on course for another record year

By Kevin Done, Motor Industry Correspondent

NEW CAR sales in West Europe jumped by 5.2 per cent in September to 988,000 units, according to industry estimates, and the European car market is on track to reach a record level for the third successive year.

For the first three quarters of the year sales have increased by 5.3 per cent to 9.999m units. While sales fell in September in five of the smaller West European markets, Denmark, Norway, the Netherlands, Belgium and Luxembourg, and Austria, demand was still expanding in all the main volume markets, including West Germany.

New car registrations in the Federal Republic have been weaker for much of the year and have fallen by 2.1 per cent in the first nine months. In September the trend was halted, however, and new car sales rose by 1.8 per cent to 239,000 units.

In the other major volume markets new car sales in September rose in Spain by 31.5 per cent, in France by 13.2 per cent, in the UK by 7.7 per cent, and in by Italy 4 per cent. Portugal has been the star performer in West Europe, however, with a jump of 90.9 per cent in September and of 64.2 per cent in the first nine months.

Volkswagen of West Germany, which includes Audi and Seat, is quickly closing the gap behind Fiat of Italy and could still capture the leadership of the European car sales league for the fourth year in succession despite the long lead that Fiat established in the early months of the year.

VW was the top-selling group in Europe in September alone with a share of 15.6 per cent compared with 13.5 per cent for Fiat, and for the first nine months of the year it captured 14.5 per cent of the market only just behind Fiat with 14.7 per cent.

Peugeot of France, which includes Citroen, remains the fastest-growing volume carmaker with an increase of 14.1 per cent in sales volume in the first nine months. It has increased its market share to 12.6 per cent from 11.7 per cent a year ago.

Among the specialist carmakers BMW has increased European sales volume by 23.4 per cent in the first nine months boosted by the launch of its new 5-series executive car. In September alone sales were 86 per cent higher than the corresponding month last year.

The weakest performance among the big six volume carmakers has been shown by Ford, which has increased its sales volume in the first nine months by only 0.9 per cent and has seen its market share slide to 11.6 per cent from 12.1 per cent a year ago. In September alone it actually showed a drop of 4.9 per cent in sales volume.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-September 1988

	Volume (Units)	Volume Change(%)	Share (%) Jan-Sept 88	Share (%) Jan-Sept 87
TOTAL MARKET	9,999,000	+5.3	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia & Alfa Romeo)	1,468,000	+6.7	14.7	14.5
Volkswagen (incl. Audi and Seat)	1,455,000	+3.0	14.5	14.9
Peugeot (including Citroen)	1,263,000	+14.1	12.6	11.7
Ford	1,161,000	+0.9	11.6	12.1
General Motors (Opel, Vauxhall)	1,054,000	+3.9	10.5	10.7
Renault	993,000	+1.8	9.9	10.3
Austin Rover	367,000	+9.9	3.7	3.5
Mercedes-Benz	345,000	+1.8	3.5	3.6
Nissan	301,000	+6.3	3.0	3.0
BMW	276,000	+23.4	2.8	2.4
Toyota	274,000	+2.1	2.7	2.8
Volvo	204,000	+0.7	2.0	2.1
Total Japanese	1,136,000	+4.7	11.4	11.4
MARKETS:				
West Germany	2,139,000	-2.1	21.4	23.0
United Kingdom	1,827,000	+11.6	18.3	17.3
Italy	1,661,000	+7.4	16.6	16.3
France	1,564,000	+6.6	15.6	15.5
Spain	804,000	+17.5	8.0	7.2

Source: industry estimates

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Typhoon Ruby leaves 49 dead in Philippines

By Richard Gourlay in Manila

TYPHOON winds of up to 100 miles an hour battered the Philippines yesterday, leaving at least 47 people dead while floods, mudslides and tornados destroyed thousands of homes, officials said.

A passenger ship, the Dona Marylin, with at least 472 people on board, lost radio contact after broadcasting a Mayday message and turning back in heavy seas near the central island of Samar, a spokesman for the owner, Sulpicio Lines said. Coast guard officials said the Dona Marylin may have taken refuge near Masbate.

In the central Visayan province of Antique, high winds swept a bus carrying 90 people from a bridge, about 35 of whom failed to swim to safety, according to one report. In Cagayan de Oro, on the north coast of Mindanao island, mudslides and floods swept away 250 homes. The city of 230,000 people was placed in a state of emergency.

Typhoon Ruby is the second tropical storm to hit the Philippines in a week and by far the worst this year. At midnight local time, it was heading erratically north-west over the Philippines' largest island, Luzon.

Six hundred people died in the typhoon and tidal waves that followed last year, and the province of Sorsogon has still to recover fully.

Poor communications in the Philippines at the best of times can delay reports of the extent of typhoon damage reaching Manila for weeks, and hinders relief efforts and knowledge of where help is most needed.

Schools and government businesses remained closed and much of the capital was under floodwaters and crippled by power cuts. Philippine Airlines cancelled all domestic flights but the international schedule was unaffected.

Early yesterday, the US-run air base at Clark Field evacuated aircraft from what is expected to be the path of Typhoon Ruby, and placed all five other bases on full alert.

UN delegates urge action on world climate changes

UNITED NATIONS delegates have called for action to avert catastrophes from changes in the world's climate during a General Assembly debate on the environment, Reuter reports from New York.

Britain's Ambassador, Sir Crispin Tickell, a climatologist, said: "Climate change, whether natural or man-made, raises problems of a kind which no one has had to face before."

If ever a global problem needed a global response, this was it, he told the Assembly.

The 159-nation body was convened as both Central America and the Philippines struggle with the effects of more devastating storms in a year marked by widespread natural disasters, including drought, floods, extreme heat and unseasonable cold.

Sir Crispin cited the depletion of the ozone layer, rising temperatures through the so-called greenhouse effect because of the excessive use of fossil fuels, and deforestation, as key causes of changes in the climate that have alarmed many scientists.

He called for measures, including changes in pricing policy, to promote the use of renewable energy and lessen reliance on coal and other polluting fossil fuels.

Mr Tom Erik Vraalsen, Norway delegate, said the potential risks were so high that governments could not sit back and hope the problem would go away.

"We must take action together and we must take it now," he said, calling it a matter of the highest concern.

Mr Vincent Tabone, Malta's Foreign Minister, urged worldwide support for what he termed a crusade.

"We must ensure that a balance is achieved between the short-term requirements and the future needs of mankind," Mr Tabone said.

Neither the US nor the Soviet Union took part yesterday, but in an address to the assembly last month Soviet Foreign Minister Eduard Shevardnadze said ideological divisions were receding "in the face of the threat of environmental catastrophe."

Egypt and IMF resume technical talks today

By Tony Walker in Cairo

EGYPT and the International Monetary Fund are due today to resume technical talks in their desultory efforts to establish common ground for a new fund programme in the shadow of this month's riots in Algeria.

Dr Omar Tabery, a senior IMF official, heads a small team in discussions with Egyptian officials. The two sides are probing ways in which Egypt might reduce its budget deficit and advance exchange rate reform.

Egyptian officials are using the example of the Algerian riots to strengthen their arguments of the dangers of price rises that might invite social unrest. The fund has been pressing Egypt to reduce subsidies to ease pressure on the budget.

An IMF official said it was expected this latest round of discussions would last about 10 days. He indicated it was unlikely to lead quickly to an agreement on a new programme.

Egypt needs a new IMF agreement to facilitate a second rescheduling of part of its mountainous $44bn foreign debt. An IMF agreement in May 1987 led to a rescheduling of about $8bn of government and government-guaranteed debt.

The first IMF programme collapsed late last year because Egypt was unable to meet performance targets, notably in reducing the budget deficit. The two sides have been expressing increasing frustration with the slow pace of discussions.

Egypt is insisting that it cannot hasten reform at a time when inflation of up to 30 per cent is eating away at living standards. The IMF believes there is scope for energy price rises. Cairo has been arguing for more time to implement reforms in exchange for further balance of payments support.

Australia acts on Jakarta waterways

By Chris Sherwell in Sydney

AUSTRALIA has joined the US in expressing its concern over Indonesia's unilateral decision last month to close two key international waterways, the Sunda and Lombok Straits, for a limited period.

Senator Gareth Evans, the Australian Foreign Minister who is now visiting Indonesia, said yesterday he was satisfied that Jakarta acknowledged international freedom of passage in the waterways. He said he did not anticipate any further difficulties arising again.

The incident, though handled quietly through diplomatic channels, is a reminder of the fragility of relations between Australia and its large, populous northern neighbour. More significantly, it highlights the critical strategic position Indonesia occupies in South East Asia.

Concern was first raised in the middle of last month when Indonesia warned shipping not to use the straits during the following fortnight because of a "live firing" naval exercise there.

Although little shipping was scheduled to pass through the area at the time, the issue was an important one of principle because the straits are among the world's most vital sea lanes. Many of Australia's commodity exports to Japan, such as iron ore, pass through them.

The Western nations made their concerns felt by lodging diplomatic Notes with the Indonesian Government, pointing out that closure of such international waterways breached obligations under the Law of the Sea.

The closure is thought in Australia to have been made by the Indonesian military, and yesterday Gen Benny Murdani, Defence Minister, while speaking positively of a new era in relations with Australia, cast a shadow over Senator Evans' comments when he said it was Indonesia's sovereign right to conduct exercises in any part of the archipelago.

In a separate development, Indonesia is expected to receive a stiff complaint from neighbouring Papua New Guinea following a raid by Indonesian troops across the sensitive Papua New Guinea border at the weekend.

The troops were reported to have taken hostages who were subsequently freed. Indonesia is known to be irritated by the activities of rebel villagers who challenge Jakarta's presence there and have sought sanctuary across the border.

Israelis deny existence of death squads

THE ISRAELI Army denied yesterday that its units had acted illegally after accusations by Palestinians that it ran an undercover death squad in the occupied West Bank against organisers of the 10-month anti-Israeli uprising, Reuter reports from Tel Aviv.

Security sources said an undercover army unit codenamed "Cherry," deployed to capture demonstrating Palestinians, had verbal orders to shoot to kill fugitives.

The Israeli army said: "In response to claims made in the press regarding ostensibly illegal activities of IDF [Israeli Defence Forces] units in Judea, Samaria [the West Bank] and Gaza, the IDF spokesman wishes to emphasise that IDF units conduct varied operational activities intended to ensure security and order and all these units operate in accordance with the law."

CP sees heaven-sent chance to build base

Anthony Robinson reports on preparations for an assault at S Africa's 1990 elections

THERE is nothing parish pump about tomorrow's South African municipal elections, the first in which all races will vote at the same time, albeit for racially separate town and city councils.

They have loomed on the political horizon ever since the May 1987 whites-only general elections which confirmed the bitter divisions within Afrikanerdom and the rise of the Conservative Party (CP) as a potential alternative government.

Since then, the National Party (NP) government has acted like a rabbit cornered by a stoat, while the CP has gone from strength to strength, not only in the rural platteland areas of the Transvaal and the Orange Free State but also in the blue-collar and lower-income white suburbs.

The first past the post system kept the CP limited to only 22 seats in the white House of Assembly at the general election against a comfortable 122 for the NP. But the CP then went on to win heavily in three Transvaal by-elections. Now the municipal elections in 516 white town and city councils around the country have provided the CP with a heaven-sent opportunity to build up its grass roots support.

It sees gaining control of dozens of town halls as the launching pad for its next assault on the NP at the 1990 general elections.

While the CP is virtually assured of gaining control of scores of platteland local councils, it remains touch-and-go whether it will obtain its main objective – capturing control of Pretoria. This is the main prize.

The NP won Pretoria before it won power nationally in the 1948 general elections. Psychologically, its loss would be a shattering blow. But if the capital, and its army of civil servants, is vulnerable to a humiliating takeover by the CP, Johannesburg,the country's mining, banking, financial and commercial centre, is the object of attack from another direction.

It is here that the PFP, under the new leadership of Mr Zach de Beer, a former senior executive of Anglo-American Corporation, and a new breed of "young Turks" led by 30-year-old Mr Tony Leon, is blasting the NP for decades of lacklustre and racist administration of the city where economic forces have done most to break down apartheid in practice.

For the PFP, these elections are the last chance to salvage its position as leader of the "liberal" opposition, after its savaging at the general elections when thousands of its traditional Jewish and other English-speaking voters deserted it for the "security" offered by the NP, while the CP usurped it as the official opposition.

The PFP, urging people to "vote for your hopes, not your fears", is calling for a new city council which works closely with Soweto and the other huge black cities on its doorstep, and on whose labour and purchasing power Johannesburg depends. It also calls for abolition of racial zoning under the Group Areas Act and reliance on economic factors and individual choice to determine the future residential pattern.

President P.W. Botha

It accuses the CP of talking like Rip Van Winkle and the NP of hypocrisy. Caught in the crossfire, the ruling NP is twisting in the wind. In many areas, it has even decided not to field party candidates but to hide behind so-called "independents".

The party's candidates have taken their cue from President P.W. Botha himself. One day he makes a speech hinting at a more liberal approach to the Group Areas Acts to placate white "liberals" and Black, Coloured and Indian voters, the next he launches into a tirade against liberals, sportsmen who talk with the ANC, and Zulu Chief Mangosuthu Buthelezi, and swears that white own areas are safe with the NP.

While the NP's oft-tested ability to get out the votes as the party of the moderate centre should never be under-estimated, it risks falling between many stools in these elections. It not only has to worry about the outcome of the white elections, it also needs to ensure a respectable turnout in the elections from Black, Coloured and Indian councils.

All these communities are under strong pressure from the ANC, the trade unions, the churches and unofficial community organisations to boycott the elections as in 1983 and 1984. The broad anti-apartheid front argues that participation in elections which take place against the background of a state of emergency, the banning of opposition groups and detention of leaders would only legitimise apartheid and the government's broader constitutional plans.

Meanwhile, the government has spent millions on advertising the elections in black areas, and turned a blind eye to evidence of large-scale corruption, because a respectable turnout is essential to give a semblance of legitimacy to local councillors.

In Pretoria's greater scheme of things, black councillors will not only administer the townships but also be nominated to serve in the new Regional Service Councils (RSCs) and indeed, the proposed top-level National Council. Supporters of the grand scheme argue that the RSCs,in conjunction with the paramilitary Joint Management Committees(JMCs), will provide a multi-racial link between the racially segregated local councils and a channel for the flow of funds from wealthy white areas.

Upgrading the townships and restoring power to the black councillors who were the target of flaming rubber tyres ("necklaces") during the recent townships revolt of 1984-86, is a key element in Pretoria's longer-term counter-revolutionary strategy. But opponents of this strategy argue that black councils will continue to be run by "Uncle toms" who will do Pretoria's dirty work for it.

There can be no healthy government in South Africa, they argue, unless the vital question of power-sharing at a national, parliamentary level is tackled first.

Such is the confused political state of this polarised country on the eve of polling. The only sure thing is that the elections will be followed by a rash of higher taxes and higher interest rates.

They will be needed to smother a pre-electoral consumer boom which has decimated the reserves – and pay for a 15 per cent pay rise for civil servants whose votes – especially in Pretoria – could prove crucial to the outcome.

Indian Airlines to lease Airbus Boeings

By K.K. Sharma in New Delhi

AIRBUS Industrie has agreed to provide the government-owned Indian Airlines, which flies mainly on domestic routes, with four Boeing 737 aircraft on lease to help it cope with the present serious shortage of planes. The four aircraft are expected to arrive early next month.

The airline has ordered 19 Airbus 320 aircraft for delivery by 1991, but these will start arriving in India from May 1989, in a phased operation. Until then, Indian Airlines faces an almost crippling shortage of aircraft and has been forced to cut its flight schedules since yesterday.

Airline officials say that a number of aircraft have been grounded for various reasons, including hits by birds, in the past few weeks, and the position worsened because of the crash of a Boeing 737 at Ahmedabad last week. After the loss in the crash, Indian Airlines is left with only 46 aircraft, which include 11 airbuses and 26 Boeing 737s, until the arrival of the new Airbuses next year. Hence the decision to lease the four aircraft through Airbus Industrie.

The airline has been severely criticised since last week's crash at Ahmedabad for overusing its small existing fleet and for allegedly neglecting normal maintenance work. To operate its extensive domestic routes, Indian Airlines keeps all aircraft in use from six in the morning until nearly midnight.

Much of the routine maintenance work is done at night and frequent snags that develop during flying hours in the daytime have meant prolonged delays.

Indian Airlines hopes to finance the purchase of the new aircraft through loans to be obtained for it from foreign banks by the State Bank of India. No problems are expected in raising the funds because the airline makes substantial profits, despite its depleted fleet, owing to the monopoly it has on the routes it operates.

However, the airline is encountering resistance from the government for its plans to further expand its fleet which it hopes to do by exercising its option on 12 more Airbusses. These will cost Rupees 8.25bn, of which Rs 7.46bn will be in foreign exchange.

Since India is going through a serious balance of payments problem, sanction of the money is being held up despite Indian Airlines' plea that the aircraft are needed to improve its capacity and facilities for tourists who provide substantial foreign exchange.

Traffic on routes operated by Indian Airlines is growing at nearly 10 per cent a year and the present fleet is hopelessly inadequate to meet the demand.

S Africans expect $19m loan from banks

JOHANNESBURG city council said yesterday that it expects to secure a $19m (£11.8m) foreign loan, the first significant new bank loan to South Africa since international banks cut credit lines to the country three years ago, Reuter reports.

Mr Francois Oberholzer, chairman of the council's management committee, said the loan was still being negotiated with foreign banks but was expected to be finalised soon.

"This demonstrates the confidence of foreign banks in Johannesburg as a borrower," Mr Oberholzer said.

Mr Oberholzer, a member of the ruling National Party which controls the Johannesburg city council, declined to name the bank or banks that were considering the loan.

He said the money would be used to build homes for Coloured (mixed race) people in racially segregated suburbs of Johannesburg.

Foreign bankers halted loans to South Africa in August 1985 amid anti-apartheid pressures and concern over widespread riots in black townships.

Pretoria responded by declaring a partial moratorium on repayments of most of its original $24bn foreign debt.

Sri Lanka government imposes curfew on Colombo

SRI LANKA'S government announced yesterday it was imposing a curfew on Colombo and the country's southern province, and ordered security forces to shoot violators on sight, Reuter reports.

It said it had reliable information that "subversive elements" were plotting widespread attacks in the next 24 hours.

"Their plan appears to be to kill individuals, destroy public property and attack security forces' establishments under the guise of protests."

The curfew, to last for at least 18 hours from midnight last night, came after reports that the Marxist People's Liberation Front was organising strikes and protests for today in its campaign against an India-Sri Lanka peace accord.

Officials accuse the Front of nearly 500 killings since the pact, aimed at ending a Tamil separatist revolt in northern and eastern Sri Lanka, was signed last year.

They also blame the Front for widespread anti-government protests.

Meanwhile, opposition Freedom Party officials said death threats had forced Mrs Sirima Bandaranaike, a presidential candidate, to postpone three campaign meetings on Sunday.

Afghan rebels reject Najibullah peace talks offer

MOSLEM anti-Government fighters in Afghanistan yesterday rejected President Najibullah's offer of peace talks in the Saudi Arabian holy city of Mecca, Reuter reports from Islamabad.

"Najib should know well that Mujahideen (guerrillas) are not ready to talk to him anywhere and under any conditions," Burhanuddin Rabbani, leader of the Pakistan-based guerrilla alliance, said in a statement.

Mr Najibullah's offer, reported by the official Kabul Radio, came in a speech on Saturday to an international conference on Islam in the Afghan capital.

The conference attracted representatives from 25 countries, including the US and Soviet Union.

The Western-backed rebels have rejected previous offers of talks by the President's Soviet-backed Government since it launched a "national reconciliation" policy at the beginning of 1987. They have vowed to fight on until their own Islamic Government is installed in Kabul.

President Najibullah said in his speech on Saturday that Kabul was ready to discuss peace with the rebels anywhere they chose, the official Bakhtar news agency said. "Should the Government of Saudi Arabia agree (to act) as a host country, we are ready to hold talks with the opposition in holy Mecca."

Saudi Arabia is a major financial backer of the rebels.

The President told the conference that Kabul wanted its membership of the 46-nation Islamic Conference Organisation (ICO) reinstated. The ICO suspended Afghanistan's membership after the December 1979 Soviet military intervention.

Moscow is withdrawing more than 100,000 troops from Afghanistan under UN-mediated accords signed last April. The pullout is due to be completed by February 15 next year.

● Moslem rebels said yesterday that they had captured another eastern provincial capital.

A spokesman for the Hezb-i-Islami (Khalis) guerrilla group said that Mahmoud Raqi, capital of Kapisa province, was captured on Sunday after a long siege. No independent confirmation was immediately available.

Two weeks ago, the rebels said they had captured Asadabad, capital of Kunar province bordering Pakistan.

Bhutto delays election campaign

PAKISTAN'S opposition leader, Ms Benazir Bhutto, has postponed the start of her November election campaign due to an illness, AP reports, from Karachi.

Her family said she was being treated for a kidney infection and would remain at her Karachi home for a few more days.

Ms Bhutto, the 35-year-old leader of the left-wing Pakistan People's Party, had been scheduled yesterday to begin a campaign tour through eight cities of the central Punjab province, starting at her family home of Larkana in Sind province to the south.

She developed a fever on Sunday and returned from Larkana to Karachi on the advice of her doctor, family members said. She has been recuperating from the birth of her first child on September 21.

Elections for the National Assembly are scheduled for November 16, with provincial assembly polls three days later.

Ms Bhutto's main rival is the conservative Pakistan Moslem League of former Prime Minister Mohammad Khan Junejo. PML party aides said Mr Junejo planned to begin campaigning later this week.

Some 1,370 candidates are contesting 217 National Assembly seats. Ms Bhutto's PPP is believed to be Pakistan's largest party, but has not participated in any national elections since 1977.

In addition to the PML and PPP, some 18 smaller parties are contesting the polls. Political observers believe Ms Bhutto's party may be strong enough to win a simple majority in the new legislature.

Several right-wing Moslem parties have said they would oppose having a woman as prime minister.

Sihanouk travels a long road in his mission for peace

John Ridding assesses the latest progress and problems in the search for a resolution of the Kampuchean conflict

For a monarch without a state Prince Norodom Sihanouk of Kampuchea is currently spending a great deal of time on diplomatic travel.

Since leaving his Paris base in August he has held negotiations at the highest level in Peking, Washington and New York. He arrives in London today for talks with Mrs Thatcher, the Prime minister, after which he returns to Paris for his third meeting with Hun Sen the prime minister of the current regime in Phnom Penh.

Such energetic diplomacy reflects Sihanouk's desire to maintain momentum in his search for a settlement of the conflict which began when Vietnam, supported by the Soviet Union, invaded Kampuchea in 1979 to depose the increasingly brutal Khmer Rouge regime of Pol Pot. Sihanouk has since presided over an uneasy resistance coalition of his own men, the Khmer Rouge and the Khmer People's National Liberation Front led by Son Sann.

By meeting with world leaders, Sihanouk is also seeking to consolidate his position as the best candidate to head a post settlement government – a position favoured by his uniqueacceptability to the various parties to the conflict.

Sihanouk's current initiative comes against a background of progress towards a settlement. Vietnam has pledged to withdraw 50,000 of its 120,000 troops from Kampuchea by the end of the year and the remainder by the 1990. Although doubts have arisen about whether this year's target can be reached the Vietnamese high command has already pulled out along with thousands of troops.

Moscow has been particularly important in such progress. Mr Mikhail Gorbachev, the Soviet leader, has attached high priority to improved relations with Peking and participation in the economic boom of the Pacific rim. Vietnam's presence in Kampuchea has proved the obstacle to such goals and hence pressure has been applied to Hanoi. The Soviets are also weary of spending $2bn a year in support of a war which is clearly not going to be won.

But the peace initiative has now run into difficulties. The current problem is how to ensure that the Khmer Rouge, which was responsible for the deaths of more than 1m Kampucheans between 1975 and 1979 and which commands the most powerful guerrilla army, does not return to power as the Vietnamese troops pull out.

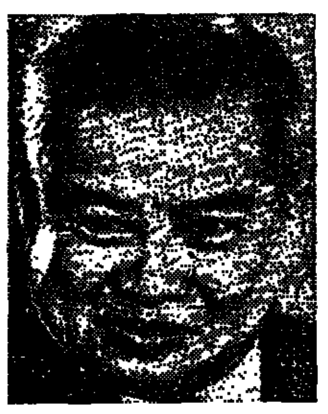
Hanoi has increasingly linked the withdrawal of its forces to a disarming of the Khmer Rouge and the ending of its supplies. Speaking at the UN earlier this month, for example, Tran Quang Co, the Vietnamese Deputy Foreign Minister stated that a political solution must be based on "national reconstruction, the exclusion of the leadership of Pol Pot's genocidal regime and the inadmissability of the Khmer rouge armed forces."

Prince Sihanouk has been equally virulent in attacking his nominal allies. Before leaving for Washington he claimed that "many of our compatriots even feel they would prefer Vietnamese protection to another takeover by the Khmer Rouge."

At the same time, however, Sihanouk is aware that he cannot afford to exclude the Khmer Rouge completely. In talks earlier this month with Mr George Shultz, the US Secretary of State, he said that "moderate" elements of the Khmer Rouge should be included in a post settlement government. Otherwise they would become "bandits" and pose a serious threat.

A tougher line against the Khmer Rouge has also been adopted by members of the Association of South East Asian Nations. A draft UN resolution, drawn up by Asean members and due for debate on November 2 urges the international community to ensure "the non-return of the universally condemned policies and practices of a recent past." This wording, the first significant revision of a UN resolution on Kampuchea has even won the support of Thailand, the conduit of supplies for the Khmer rouge.

China, the principal backer of the Khmer Rouge, has rejected such criticism. A recent article in the People's Daily, for example, claimed that while Pol Pot's regime did commit "mistakes" these have been "exaggerated".



Prince Norodom Sihanouk

At the same time Peking has repeated its claim that it does not want the Khmer Rouge to "monoplise" power following a Vietnamese withdrawal.

But if Peking is anxious that its clients do not again hold a dominant position in Phnom Penh it is more anxious that Vietnam honours its pledge to withdraw its forces. As a result China refuses to end its support for the Khmer Rouge until the Vietnamese have left.

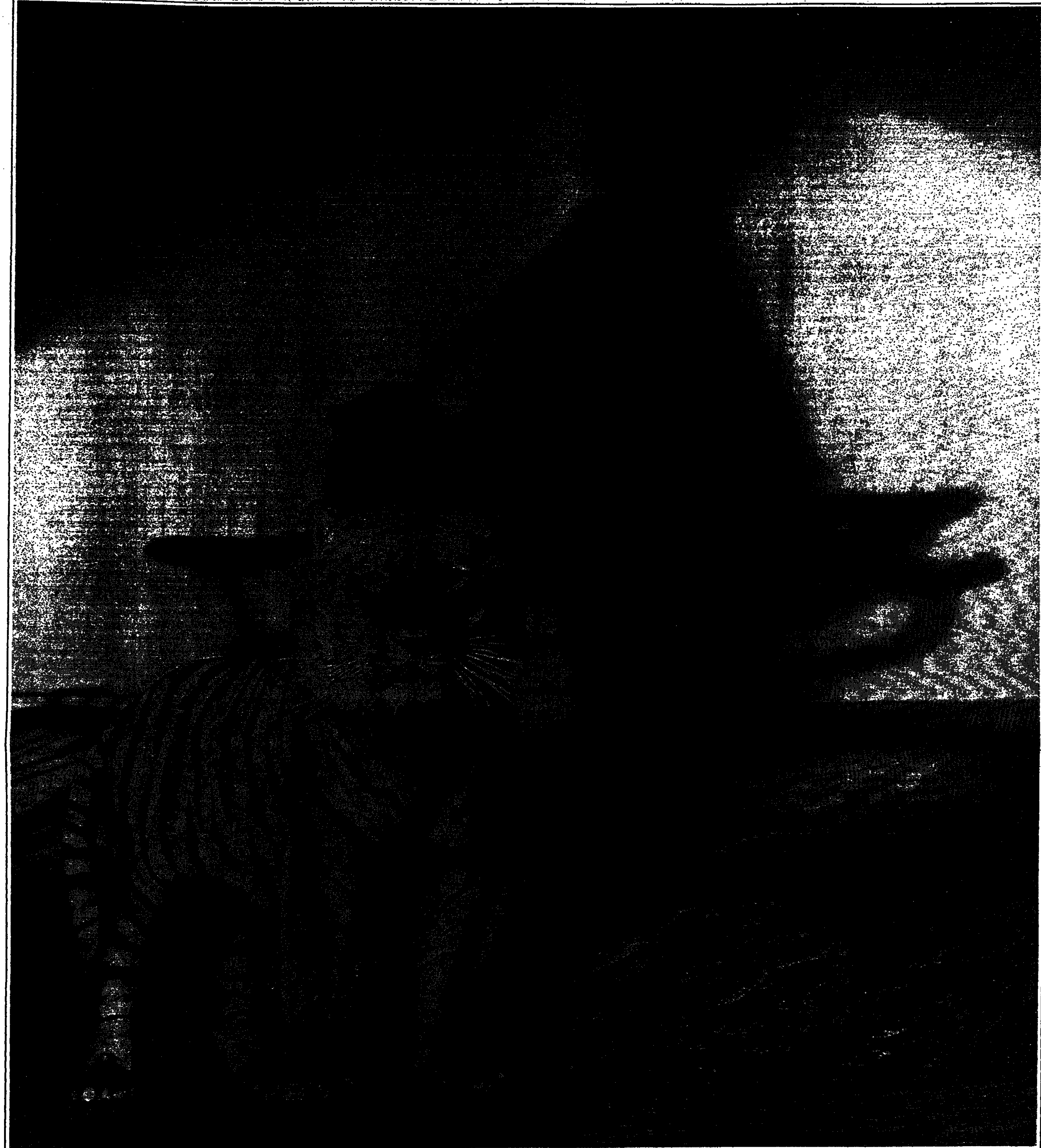
Proposals have been put forward to overcome this deadlock. The Khmer Rouge itself has issued a plan to reduce the armies of each of the four factions in the civil war to 10,000 men and place them under a unified command headed by Prince Sihanouk. At the weekend Khieu Samphan, the more acceptable face of the Khmer Rouge, stated that his group would accept an international peace keeping force to guarantee a settlement following a Vietnamese withdrawal.

The idea of a peace keeping force has fairly broad support. It is a key element of the UN initiative launched in July and is endorsed by Asean and China. Japan has indicated willingness to contribute a large part of the cost of such an operation.

For the moment, however, the proposal is unlikely to provide the answer. Although Vietnam and the present Phnom Penh regime have indicated that they would accept some form of international control to oversee an agreement they have consistently rejected the presence of a peace keeping force. Instead they regard the Khmer Rouge proposal as merely an attempt to prevent diplomatic isolation prior to the UN debate.

Despite the failure to reach agreement on curbing the Khmer Rouge most commentators expect the momentum towards a settlement to continue. The economic crisis in Vietnam makes it difficult to resist Moscow's pressure for a solution and China will be reluctant to suffer the diplomatic costs of sticking too close to its guerilla allies.

The prospect of concessions from either side will become clearer following the the UN debate and Sihanouk's meeting with Hun Sen. What is already clear is that such concessions will take time and that Prince Sihanouk will have to travel much more before he can end his journey in Phnom Penh.



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OVERSEAS NEWS

Algerian riots strengthen the hand of President Chadli

Victor Mallet examines the improved prospects for reform following the unrest which swept the nation's cities earlier this month

ON THE surface, life in Algeria returned to normal with extraordinary ease after this month's riots. Smashed road signs and telephone booths were repaired in a matter of days and labourers quickly began to clean up the charred remains of government offices in the centre of Algiers. Six million children went back to school, adults with jobs returned to work and the unemployed resumed their routine of watching and waiting in street-corner cafes.

But a week-long outbreak of violence in which about 200 people were killed on the streets of Algerian cities could hardly fail to leave scars or to shake the confidence of those in power.

It was therefore all the more remarkable that President Chadli Bendjedid, far from allowing his position to be weakened, seized on the disturbances as a mandate to quicken the pace of economic and political reform and to disarm his conservative opponents in the ruling party, the Front de Liberation Nationale. The party was already unpopular; but since the riots it has virtually disappeared from public view.

That is not to say that the old timers in the FLN are finished, and Mr Chadli must be acutely aware of how dependent he is on the army and how vulnerable he is to a conservative backlash. Algerians have understandably begun to take a more than casual interest in Mr Mikhail Gorbachev, the Soviet Union and perestroika.

Some of the parallels between the Algerian and Soviet dilemmas are striking. Many years after a revolution which has achieved much but left much undone, a reformist President is trying to liberalise the economy and the monolithic one-party political system. He is hamstrung by conservatives in the party who cling to their privileges and to the old ideology. He appeals to the people over the heads of his party colleagues. How far will he go? Will he succeed in pushing through the reforms?

There perhaps the comparison ends. Algeria has its own special problems. Oil and gas exports earn more than 95 per cent of Algeria's foreign revenue, and prices have fallen sharply on world markets. Foreign debt repayments are burdensome. The population of 24m is expected to double in two decades, aggravating an already desperate shortage of jobs and housing.

President Chadli Bendjedid may have used the riots as an excuse to hasten his reforms, but it remains to be seen if he has either the determination or the necessary political support to overcome Algeria's economic handicaps.

For the moment Mr Chadli is in the ascendant and his opponents are lying low. "The enemies of reform are very numerous and there are comparisons with the Soviet Union," says Mr Kamel Belkacem, a reform-minded publisher whose weekly newspaper Algerie-Actualite is Algeria's glasnost flagship. "There may be a danger of a conservative reaction. But the conservatives, whatever their influence, have no ideas to suggest."

Many ordinary Algerians saw the rioters give violent expression to their frustration with leaders they regard as inefficient, corrupt and deriving their legitimacy from the glories of a liberation war fought before most of them were born.

President Chadli quickly took the initiative, interpreting the riots as a popular cry for reforms of the kind he has advocated and begun slowly to implement since coming to power in 1979.

Dragging the apparatchiks away from the levers of power could, however, prove as difficult in Algeria as in the Soviet Union. The FLN, which fought the French in a particularly bloody liberation war, has industrialised Algeria and looked after its citizens. But it has done so more by redistributing the country's oil and gas wealth than by creating a self-sustaining, diversified domestic economy.

Oil prices have fallen, and it was against a background of economic austerity, industrial unrest and food shortages that the riots erupted this month in the capital Algiers and spread to other towns.

The young Algerians who went on the rampage singled out government institutions for attack, setting fire to ministries and police stations and looting state shops. Policemen were stripped of their clothes and taunted.

But by the time the army stamped out the riots a week later the disturbances added up to much more than a simple rejection of authority. They were a complex phenomenon, involving several factions of Algerian society in pursuit of different aims.

Many ordinary Algerians saw the rioters give violent expression to their frustration with leaders they regard as inefficient, corrupt, and drawing their supposed legitimacy from the glories of a liberation war fought before most of them were born. Three quarters of Algerians are under the age of 25.

Sunni Moslem fundamentalists meanwhile looked at the riots as an opportunity to press their claims for a more religious society, and emerged towards the end to act as mediators between the demonstrators and the authorities.

Rumours circulated in Algiers that devious hardliners in the armed forces or in the ruling FLN had themselves provoked the riots to discredit President Chadli Bendjedid's reforms. Even if this were so - and it is true that some of the demonstrators shouted "Chadli, assassin" - it was ultimately the FLN and the army which emerged from the troubles with battered reputations.

The army, deploying tanks and using automatic weapons, was condemned by Algerians for unnecessary brutality. The FLN, already moribund and disliked, vanished during the conflict after calling local party meetings which few dared to attend. Party officials have not been heard of since.

"The riots have demonstrated how bankrupt the party is as a popular institution," said one economist in Algiers. "People were upset about austerity without reform. They were being asked to make a sacrifice without seeing sacrifice on the part of the elite."

President Chadli quickly took the initiative, interpreting the riots as a popular cry for reforms of the kind he has advocated and begun slowly to implement since coming to power in 1979. He announced two referendums, the first on November 3, to allow Algerians to vote on plans for what the official media describes as "broad democratisation". Details of the second have not yet been made clear.

Political heads are likely to roll if Mr Chadli, a former military commander who became President only as a compromise candidate, has the will to maintain the momentum of reform and to start a third presidential term at the beginning of next year.

Money helps to smooth the way for economic adjustment, but Algeria's economic circumstances are particularly difficult. After enjoying strong real gross domestic product growth in the 1970s and early 1980s, the Algerian hydrocarbon-dependent economy is now stagnating and may grow one per cent this year. Export earnings have been cut to an estimated \$8bn in 1988 from \$13bn in 1985.

About 10,000 jobs are created annually, but 200,000 jobs are needed each year merely to keep unemployment from rising. The housing shortage is critical, and the riot-stricken areas of Algiers appear not so much poor as overcrowded. "Sometimes there are 15 people to a room, and a 25-year-old man has to sleep next to his sister," says one bitter Algerian worker.

Algeria proudly shuns rescheduling of payments on its \$20bn foreign debt, and the servicing costs are swallowing nearly 60 per cent of its export revenue.

The reform drive has had mixed results. State farms were parcelled out to individuals and agriculture began to revive. Then drought and an invasion of locusts overshadowed the recovery and as a result Algeria still imports most of its food at a cost of well over \$1bn a year.

State industries dominate the economy and industrial reform has proceeded slowly, although large corporations have been broken up into smaller units which will henceforth be autonomous and responsible for their own profitability. Such private enterprise as has emerged has been attacked for profiteering.

Nor have foreign investors been easily lured into Algeria by weak incentives or by a leadership which - collectively at least - continues to harbour a strong antipathy towards capitalism.

The financial sector is urgently in need of restructuring and the foreign currency black market, valuing the dinar at a quarter of its official rate, is booming.

Algeria has no shortage of skills, even if there is a brain drain abroad, and those in the vanguard of reform are thinking so far ahead of their conservative opponents that they are considering the long-term possibility of a stock exchange.

Mr Kamel Belkacem, as well as publishing newspapers and magazines, is one of the vice-presidents of the Association for the Creation and Promotion of Enterprise. "It starts from the analysis that the state can't do everything," he says. The idea is to use the billions of dinars now tucked into Algerian mattresses for investment in business, but there is strong resistance from the old timers in the FLN. A draft law for employee share schemes was rejected by the National Assembly at the end of last year.

What counts in Algeria is "piston", which can be broadly translated as "clout" or "influence", and most of it is in the hands of the ruling elite. Mr Chadli, however, is anxious to introduce a more democratic strain into Algeria's authoritarian politics at the same time as liberalising the economy.

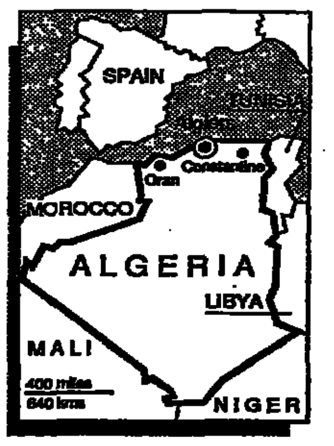
As the titular head of the FLN, the sole legal party, he may not be able to meet the increasing demands from some of his citizens for a multi-party state, but he has been trying to create a more pluralistic society.

The new National Charter approved in 1986 diluted the doctrinaire socialism of the past and tried to strike a balance between socialism and Islam, between the secular and the religious. Private associations - provided they are not too outspoken - are being allowed to operate along the lines of Western pressure groups, dealing with issues such as human rights, the environment and consumer protection.

Mr Chadli's response to the riots was to announce two sets of reforms. The first will move the Prime Minister out of the shadow of the President, giving him new executive powers and responsibility for the government, thus allowing the President to distance himself from day to day affairs and change his Prime Minister when things go wrong. The exact nature of the second set of reforms is not yet known, but the programme is expected to be presented to the FLN congress in December.

If anyone apart from Mr Chadli emerged stronger from the riots it was the rioters themselves and those who sympathise with them.

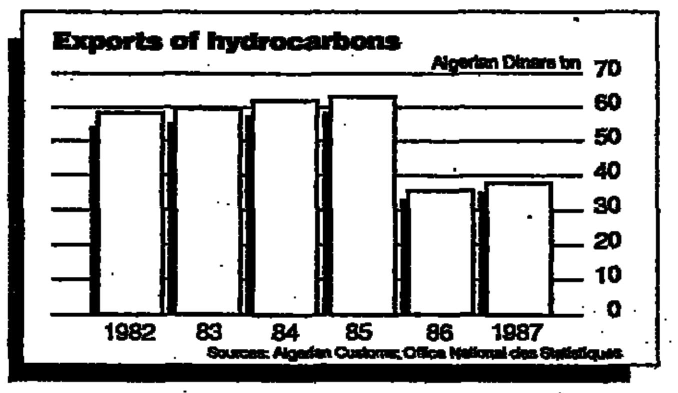
Algerians are increasingly asking why their shops seem to be emptier than the ones in Europe and in neighbouring Tunisia and Morocco, which Algerians can now visit for the first time in 12 years following a rapprochement between Algiers and Rabat. "We've been lucky that the silence lasted so many years, that the stability lasted so long" says Mr Belkacem.




Tanks patrol the streets of Algiers


President Chadli Bendjedid


Algerians demonstrate against rising prices and high unemployment



Dukakis to focus on class and race in run-up to poll

By Stewart Fleming in Washington

CLASS and race have emerged as the dominant themes which Governor Michael Dukakis, the Massachusetts Democratic candidate, will try to exploit in the final two weeks of the 1988 presidential campaign in his effort to close the gap with Vice-President George Bush, the front-running Republican.

They are a far cry from the message he delivered to the Democratic Convention in Atlanta in July. "This election isn't about ideology. It's about competence," he told an audience which had thrilled to the Rev Jesse Jackson's oratory the previous night.

Mr Dukakis initially hoped to build his campaign on the foundation of his record as governor of Massachusetts. In particular he aimed to highlight his role in Massachusetts' rapid economic growth, and to contrast this with public disenchantment with a Reagan Administration damaged by the Iran/Contra scandal and the stock market crash.

Since the campaign began in earnest however Mr Dukakis has been driven on to the defensive. His cerebral pitch to the voters has been drowned out by a Bush campaign which has appealed to voters' emotions or, many Democrats think, to their baser instincts.

On Sunday, his running-mate, Senator Lloyd Bentsen,

accused the Republican party of racism in the way it has exploited the crime issue by highlighting the case of a black convicted murderer, Mr Willie Horton, who raped a white woman while on prison leave.

The racist charge came as Mr Dukakis was himself meeting a group of black leaders, including Mr Jackson, in Boston, after a week in which he had been actively courting the black vote.

It is difficult to believe that this is mere coincidence. Mr Dukakis, who early in his campaign apparently decided that a top priority was to win back white, working-class "Reagan Democrats", seems to have realised that Mr Bush has trumped this card.

The thrust of his campaign now seems to be to solidify the traditional base of the Democratic Party: blacks, white liberals and white trade unionists in the states of the industrial midwest and northeast.

Whether this simpler and more emotional appeal, woven around a message of economic nationalism, will be more effective will soon be revealed.

So far at least, Mr Bush is showing no sign of getting rattled. Yesterday, he began 15 days of campaigning with another visit to New England, Mr Dukakis's home ground.

His campaign is telling reporters that it does not intend to change the message it has been sending out. Unless Mr Dukakis scores some points quickly they will not need to.

Marcos funding for Reagan denied

THE White House yesterday flatly denied that Ferdinand Marcos, the former Philippine President, had made campaign contributions to President Reagan, Reuter reports from Washington.

"This is an old story. It's been out many times," said White House spokesman Marlin Fitzwater, who told reporters that Mr Marcos was alleged to have given money to several US political figures.

Asked if he was categorically denying that Mr Reagan ever received campaign contributions from President Marcos or anyone connected with him, Mr Fitzwater replied: "That's right."

His comments were prompted by a Newsweek magazine report that a congressional panel was investigating charges that President Marcos gave illegal contributions to Reagan campaigns totalling $12m. The magazine said a congressional subcommittee had received evidence suggesting that Mr Marcos might have contributed $4m to Mr Reagan in 1980 and $8m in 1984.

The subcommittee chairman, New York Democrat Stephen Solarz, refused to comment on the investigation, telling the magazine only that there were "serious allegations".

Mr Marcos, who now lives in Hawaii, was indicted last week in connection with a $268m dollar racketeering scheme which allegedly began when he ruled the Philippines and went on into his American exile.

Criminal charges were also brought against Mr Adnan Khashoggi, the Saudi Arabian businessman. In a statement released yesterday, Mr Khashoggi vehemently denied that he knowingly violated any US law in connection with any dealings that he had with Mr and Mrs Marcos.

He said he was disappointed that a technical legal question involving the scope of an injunction in a civil case to which he was not a party had been converted into a criminal allegation in a totally unprecedented manner. He was confident that when all of the facts were made public as the proceeding progresses, his lack of culpability would become manifest.

Peruvian left challenges emergency

By Veronica Baruffati in Lima

THE left-wing opposition in Peru has challenged the Government's use of exceptional powers to try to end the miners' strike, now in its second week.

President Alan Garcia approved last Friday the declaration of a state of emergency, authorising mining companies to dismiss workers who participate in any "illegal" activities immediately.

Over 70 per cent of Peruvian miners are on strike, costing the country $4m a day. Members of Izquierda Unida, the broad left-wing coalition, claimed at the week-end that the emergency decree was unconstitutional.

Backing up the Government's tough approach, security forces on Friday raided the Lima headquarters of the National Federation of Miners, Metallurgical and Steel Workers, and arrested 15 union leaders, who are still being questioned.

Wage strike halts Argentina's trains

STRIKING signalmen and engineers paralysed Argentine train services and stranded tens of thousands of commuters yesterday in an effort to win wage increases and recoup buying power lost to inflation, AP reports from Buenos Aires.

Unions representing mail staff, teachers, doctors and many others of the estimated 1m Argentines who work for the state have held, or are planning to hold, similar walk-outs in what has become a big challenge to the Government's anti-inflation plan.

President Raúl Alfonsín said last week the Government would try to hold wage increases for public employees to 4 per cent a month for November and December, except when productivity was increased. Private companies were urged to follow the same guideline.

Inflation for October is projected to be 8 per cent. Unions are demanding at least that much, plus more to cover the gap between their recent wage increases and an inflation rate which reached 25 per cent in July, 27 per cent in August and 12 per cent in September.

Mr Carlos Menem, the opposition Peronist Party's candidate for president in the national elections next May, estimated last weekend that workers' buying power had shrunk by 30 per cent since Mr Alfonsín took office in December 1983.

The inflation rate since January 1984 has been 49,686 per cent.

Mr Alfonsín has imposed wage and price controls, devaluations and budget cuts in a failed effort to curtail rises in the cost of living.

Postal workers struck last Monday and Tuesday, and have called another nationwide strike for tomorrow.

The country's biggest labour federation, the General Labour Confederation, is demanding that the minimum wage of 1,310 australs a month (about £50) be drastically increased.

Living uneasily with big brother

David Owen looks at the reasons for Canadian anti-Americanism

IN 1987, Lyle and Dora Hurtubuise put up their Christmas tree in the United States. This year, they may put it in Canada.

When an international boundary bisects your living-room, such decisions are an everyday affair.

The postal address of the Hurtubuise's 165-acre property is in the town of Richford, Vermont. But 130 of those acres, together with the kitchen, two bedrooms and the bathroom are technically in Canada.

"We watch TV in Canada," says Dora.

If their house were on any other frontier, she might need a passport to take her guests breakfast in bed.

It is hard to imagine two better neighbours than the US and Canada. Their 5,524.5-mile border – a tiny portion of which runs through the Hurtubuise farmhouse – is comfortably the longest undefended frontier in the world.

Canada's Brian Mulroney with stars and stripes

Canada's relations with the tiny French-controlled islands of Saint-Pierre and Miquelon, just off the Newfoundland coast, have actually proved far more problematical in recent years. A smouldering dispute over territorial limits and fish quotas has seen to that.

Even during comparative chills in relations – such as during the Nixon-Trudeau or Diefenbaker-Kennedy years – US-Canadian intimacy is the envy of most other neighbour-nations.

In the 1960s, President Johnson sought advice from Prime Minister Lester Pearson about tending the sick Canadian deer on his Texas ranch. Only months before, President Johnson had charged the Canadian leader with "pissing on his rug" by denouncing the US bombing of North Vietnam – an incident which arguably marked a post-war low in US-Canada relations.

And yet, Canadians, in a sense, remain more anti-American than one might expect. Their antipathy is not – as with say Cuba or the Soviet Union – a mere badge of ideological convenience, liable to ebb and flow as the whims of political expediency dictate. It is the very *raison d'être* of the nation. "Without at least a touch of anti-Americanism," as Mr Blair Fraser, the Canadian journalist once observed, "Canada would have no reason to exist."

Consequently, it still pays electoral dividends for Canadian politicians to be seen occasionally to tweak the American nose. Even Prime Minister Brian Mulroney – committed in the long run to "good relations, super relations" with Canada's powerful southern neighbour – has expressed displeasure at US intransigency over acid rain and its central American policy.

Just as draft dodgers 20 years ago fled north of the 49th Parallel to escape Vietnam, so those liable to capital punishment flee there today in a bid to escape the electric chair. And it is only in this sort of context that a distinction can be seen clearly, as one of a legislative – rather than cultural – nature.

Jokes about American ignorance are legion in Canada. Plentiful too are comments deriding the shortcomings of the US social system and the perceived violence of American society.

Perhaps the prime characteristic of Canadian anti-Americanism is a rather morbid fascination with goings-on south of the border and the use of the knowledge thus acquired to highlight US shortcomings.

The purpose of such slights, however, should not be misconstrued: Canada is not about to append itself to the Soviet bloc.

Almost always, the intention behind them is less to give vent to US-related spleen than to pinpoint the differences.

Conscious of the two countries' creeping economic integration and of the [illegible] for cultural cross-pollination that a shared language provides, English-speaking Canadians are anxious to unearth whatever means they can of differentiating themselves from their powerful southern neighbour.

A combination of language and geographic propinquity, as they are acutely aware, makes their country peculiarly susceptible to Americanisation by osmosis.

"An honest attempt to enumerate the points in which our Canadian civilisation differs from that of the US," opined historian Frank Underhill as long ago as 1929, "is apt to be almost as brief as the famous essay upon snakes in Ireland."

In the face of this deep-seated psychological need to be different, the fact that Canadians generally admire the US's economic dynamism and enjoy the cultural outpourings of its leisure and entertainment machines is essentially immaterial.

Their anti-Americanism, in a nutshell, has little to do with what they think of US values. It is driven rather, in the words of Northrop Frye, by a fear that they may be annexed by their powerful neighbour without having "anything of real distinctiveness to contribute."

It is this same deep-rooted need to demonstrate their "not-American-ness" that underlies the curious Canadian habit of touching loyalty to the British monarchy. Nowhere do the Royals receive a more rousing welcome than on their frequent visits to their former Dominion. Astonishingly, Queen Victoria's birthday (May 23) is still a national holiday in Canada.

By continuing to cherish their colonial roots, Canadians assert their distinctiveness – as they have throughout their country's history – by embracing the very institution which the US rejected. There was emphatically no Toronto Tea Party.

With Prime Minister Mulroney's US-Canada free trade agreement – if ratified – likely to accelerate the inexorable economic (and, some would say, the cultural) integration of the two countries, the Canadian search for reassuring distinctiveness – and hence its unique brand of anti-Americanism – may intensify.

"Canadians are generally indistinguishable from the Americans," according to columnist Richard Starnes. "And the surest way of telling the two apart is to make the observation to a Canadian."

Pressure on Turner in Canadian debates

By David Owen in Vancouver

CANADIAN Prime Minister Brian Mulroney meets opposition leaders Ed Broadbent of the New Democrats and John Turner of the Liberals in the first English-speaking televised debate of the Canadian election campaign tonight.

Mr Mulroney, on the crest of an electoral wave with his Progressive Conservatives, enters the fray with a psychological advantage. The greater pressure will be on Mr Turner, for whom the orchestrated showdown is widely believed to represent the last chance of resurrecting the Liberals' flagging challenge.

The Liberal Party is currently perceived as disorganised, dispirited and hopelessly split on big issues – impressions which were reinforced last week by reports (later vehemently denied) that senior party officials had discussed replacing their beleaguered leader in mid-campaign.

An exceptional performance from Mr Turner is desperately needed to lay these deep-seated doubts to rest. If he fails to shine, the party risks losing much of the anti-US trade deal vote to Mr Broadbent's NDP and faces the prospect of a disastrous third place.

At the back of the Liberal leader's mind, will be the nightmare of his televised performance four years ago. An exchange between him and Mr Mulroney then, on the subject of political patronage, is widely held to have marked the turning point of the campaign.

Pointers to the likely performance of the three party leaders should emerge from last night's French-speaking debate.

It is still just about possible to succeed in Canadian politics without at least a rudimentary command of French, as Mr Donald Mazankowski, the Conservative deputy Prime Minister has demonstrated. But it is becoming difficult.

In the television age, non-French-speaking MPs run the risk of being seen to respond in English to a question posed in French during parliamentary question time.

Certainly, there is unlikely to be another exclusively anglophone Prime Minister. The presence on the electoral agenda of a three-hour French language debate among the leaders of the three main parties virtually guarantees this.

Under other circumstances, last night's debate might have been expected to act as another stepping stone in Mr Mulroney and the Conservatives' second successive majority.

Quebec-born Mr Mulroney, after all, is by far the most proficient of the three candidates in the language. In the 1984 campaign, the corresponding verbal sparring match helped the Tories eventually to win 58 of the 75 seats in traditionally Liberal Quebec, Canada's only predominantly French-speaking province.

This time around, however, the Conservatives are generally expected to emerge victorious in Quebec anyway.

Brazil's presidents fail to reassure

Ivo Dawnay examines the growing concern over the economy

AS IF there were not enough to worry about, Brazilians last week had not one but two presidents assuring them that, despite soaring inflation forecasts, everything was going to be all right.

While José Sarney, the Brazilian President, sent reassuring messages by TV satellite from the Kremlin, his stand-in, Federal Deputy Ulysses Guimarães, was trying to beat the battered drum of optimism back home in Brasília.

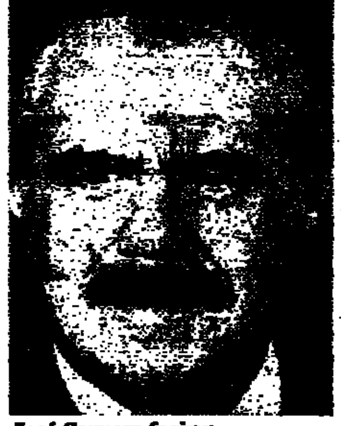
The Latin American tradition of appointing interim-presidents when the head of state is abroad has not served Mr Guimarães well over the past 10 days. As a declared candidate for next year's presidential elections, he was forced to look on impotently as 800,000 civil servants protested against low salaries and the soothsayers in the markets warned of a continuously deteriorating economic outlook.

Furthermore, with his brainchild, the new Constitution, just three weeks old, the veteran congressman has had to weather widespread criticism of its consequences. In the textiles industries of São Paulo, for example, women desperate for work are being turned away because constitutional maternity leave provisions are deemed too onerous for companies to bear.

The federal secret service has declared baldly that it will not observe *Habeas Data* rights on political files and even old allies, like Senator Fernando Henrique Cardoso, are now criticising the charter as corporatist and xenophobic.

What is now increasingly clear for both Mr Guimarães and Mr Sarney is that it is no longer possible to be Brazil's head of government and popular at the same time.

As Mr Mailson da Nobrega, the finance minister, has repeatedly pointed out, truly drastic action is now needed if



José Sarney: facing economic problems

inflation, now nearing 30 per cent a month, is to be contained and reduced.

The markets at least have got the message and in the last fortnight passed their verdict on the Government's ability to tackle the job.

The black market dollar has soared to a premium of 60 per cent over the official rate, corporate lending by banks has all but halted and the lack of interest in government paper has forced the authorities to expand the money supply by a remarkable 25 per cent in the first 12 days of the month merely to meet its bills.

To tackle the crisis, Mr da Nobrega is now planning the sixth emergency economic package of the Sarney administration. If the leaks from Brasília are correct, it promises to be the toughest yet with the wholesale axing of government incentive schemes and spending programmes and the shutting down of departments and agencies.

But the centrepiece and sole selling point of the measures is set to be the much vaunted Social Pact – a tripartite agreement among government, employers and labour. Accord-

Ulysses Guimarães: image has been tarnished

ing to reports from Brasília, the pact will allow the three partners to fix a target inflation ceiling at the beginning of the month beyond which state-sector tariffs and prices should not rise.

In theory, at least, this will systematically bring down the rate at which prices are rising by reversing the so-called "inertial" or anticipated element in inflation. Whether it will be a voluntary or compulsory price and wage restraint remains unclear and a great deal of negotiating will have to be done before its chances can be realistically assessed.

But the pact appears a suspiciously corporatist solution for structural economic problems rooted in an overly corporatist state. An early draft of its objectives, seen by the Financial Times, was riddled with Alice-in-Wonderland language emphatically demanding the maintenance of workers' real purchasing power and restoration of investment alongside "non-conventional solutions" on foreign debt.

The best hope of the private sector, however, is that the pact could provide a smoke-screen behind which Mr da Nobrega can attempt to carry out a radical attempt to cut back the state sector. A major boost to privatisation is expected to be among the measures announced.

But the unprecedented scale of the current industrial action by civil servants will equally influence his Cabinet colleagues to dilute drastic action in favour of caution. Calls for the minister's head are growing daily.

Ironically the strikes have proved that the thousands of public officials are simply not necessary. After almost a week of industrial action involving half the staffs of 17 ministries, officials in Brasília reported that government was continuing to function normally.

Shortly before Mr Sarney's visit last week to the Soviet Union, a journalist asked him if he hoped to learn something from Mr Mikhail Gorbachev's "perestroika". He appeared not to understand the question.

Outside Brasília, however, there is growing agreement with Senator Roberto Campos's theory that Brazil's problem is, like that of the Soviet Union, an issue of government "culture".

This allows the employment of thousands of underemployed civil servants at inadequate pay, rather than a few properly remunerated.

Even those on strike would back a move to end the "recruitment" of hundreds of political appointees who have large salaries and no real jobs. So far, however, there has been no move by the political establishment to end the long tradition of patronage and its attendant evil, unwieldy bureaucracy.

For Mr Sarney, the danger now is that his administration will go down in history not as the period of transition to democracy but instead as a wasted Brezhnevian "era of stagnation." Inflation is bringing the issue to a head.

WORLD TRADE NEWS

W Germans sign nuclear reactor deal with Moscow

By David Marsh in Moscow

WEST GERMAN companies will help the Soviet Union plan and construct advanced nuclear reactors under a deal signed yesterday marking the first time that Moscow has turned to the West for help in designing atomic power stations.

The accord will lead to construction of a large scale test high temperature reactor (HTR) at a Soviet research centre, at a total cost of roughly DM 1bn (£318.5m). The deal was signed in Moscow with the Soviet atomic energy agency Glavatomenergo by the West German subsidiary of Asea Brown Boveri, the Swedish-Swiss engineering group, and the Kraftwerk Union, the power division of the Siemens electrical company.

The two groups have teamed up to develop HTRs, which are reactor types using 10 per cent enriched uranium with higher efficiency and improved safety compared with standard light water reactors.

In a separate deal also signed in Moscow yesterday, Siemens has agreed to supply know-how to enable the Soviet Union to build advanced medical equipment, ranging from computer X-ray apparatus to dental equipment, in factories around the country. This agreement is aimed to allow the Soviets to produce roughly DM 500m worth of equipment over the next five years.

Both the atomic and the medical agreement break new ground in supply of Western technology to the Soviet Union.

Important elements of both deals will have to be approved by Cocom, the 16-nation organisation which tries to stop militarily useful technology passing to the East Bloc.

Under the atomic deal a 200 MW HTR is to be built by 1996 at a research centre in Dimitrovgrad, 500 miles east of Moscow.

Of the total DM 1bn reactor cost, Mr Hans-Gerd Neglein, Siemens board member for sales and marketing, yesterday said the German-Swedish-Swiss share could be more than DM400m.

Prices and other important details have not yet been worked out. The project will go into a three and a half year planning stage before construction begins.

The deal could pave the way for a sizeable number of HTRs to come on stream in the Soviet Union in coming years. The two German companies and the Soviet Union also plan to work together to sell the technology to third markets, notably in Eastern Europe.

The two German companies have already made an application to Cocom to try to win approval above all for delivery of the high-powered computers built into the HTR operational and safety systems.

Mr Eberhard von Koerber, chairman of Brown Boveri's German subsidiary, said he hoped for Cocom clearance in the light of recent relaxation of East-West technology controls, shown above all by approval earlier this year of sales of Airbus and Boeing airliners to Eastern Europe.

In the past, France has agreed sale of reactors to China, and Canada has delivered atomic plants to Rumania. But this will be the first time that Western companies will cooperate in building a new reactor type for a Communist country.

UK barters trucks for prawns with China

By Colina MacDougall

FOR THE first time since the 1949 revolution, British trucks will soon be on their way to China.

Mr Charles Chen, of Chen Brothers, an import-export company in London's Canning Town, has signed two compensation trade agreements with Chinese state organisations under which refrigerated trucks and cold store equipment will be exchanged for frozen prawns and possibly human hair.

The trucks and equipment are expected to enable more prawns to be raised and shipped in future.

In the first deal, with Leyland Daf and the Liuling Cereal, Oil and Foodstuffs Import-Export Corporation based in Dalien, north China, 25 trucks worth about £2m are changing hands for 400 tonnes of frozen prawns.

Not all are destined for London's Chinatown since Mr Chen's trading company, the turnover of which has doubled to £45m annually in the last five years, now has a number of outlets in Japan and the US.

The second contract, for £10m, is for trucks and cold store equipment. This deal is with the parallel corporation of the central China city of Hangzhou. The truck supplier has not yet been decided.

"Prawns are in the contract," said Mr Chen, but he admitted that £10m worth of prawns might be more than Hangzhou could supply, especially if typhoons or floods strike local waters, as they are prone to do.

"We might accept other commodities," he said. "We do buy human hair - Chinese villages are one of the world's few remaining sources of that today."

But Mr Chen is adamant that if the two Chinese corporations are unable to meet their commitments on the supply of prawns or other commodities within the year, they must pay in hard currency.

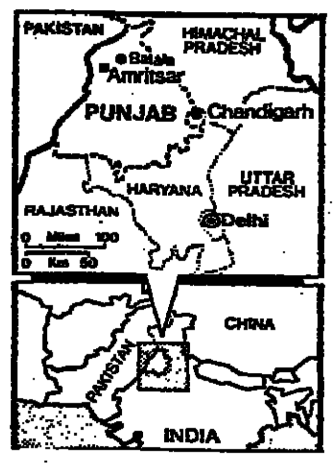
"It is in the contract," he said. "And we have guarantees from the Bank of China in Peking."

Punjab's 'star' fails to glitter

David Housego in New Delhi explains why no more than 12 of Chandigarh's 30 installed electronics companies are viable

IN THE early 1980s, electronics held out the promise of a brave new future for Punjab industry.

Here was a state that already had one of the highest agricultural and industrial growth rates in India - and the education and income levels that went with this. It is on the doorstep of Delhi with its potentially large demand for both consumer and professional electronic goods.



In its capital of Chandigarh, designed by Corbusier, it has one of those rare cities in India that are free of pollution and set amid greenery on which the electronics profession seems to thrive. The state government thus decided to create an Electronics Township (EITOP) on the outskirts of Chandigarh.

Mr S.K.Mangal, chairman of the Punjab State Electronics Corporation, whose brainchild the project was, set out to attract capital and technical expertise from the large number of Indians working in the US electronics industry and to build up an export centre.

At the same time the Indian government located what remains India's only IC (integrated circuit) design and wafer fabrication plant, Semi-conductor Complex, at Chandigarh.

Things have not worked out quite as planned. Of the 30 or more public and private sector companies installed at Mohali in the Chandigarh suburbs, not more than a dozen are viable.

The export only facilities have run into various problems. Mr P.S. Sidhu,an Indian entrepreneur from the US, set up Magnetic Information Technology (MIT) as a supplier of magnetic heads for floppy disk drives for Shugart in the US. But he had barely got the plant on its feet in 1984/85 when the computer market turned down in the US and Shugart collapsed. MIT has a capacity of 390,000 units a year but now turns out only 200-300 a day.

A short way down the pot-holed road, Manufacturing Technologies India (MTI) has been temporarily closed down after being caught selling printed circuit boards intended for export - and on which it had claimed all the tax and duty benefits available to exporters - on the domestic market.

Both investment by Indians living abroad and exports have been hit by the political troubles in the Punjab. Foreigners, apart from journalists, need special permission to visit the state - which adds to the hassle of doing business in it.

Many of the companies that have been successful are public sector plants selling mostly to public sector purchasers. Punjab Communications and Punjab Wireless Systems have cut out a profitable niche in the telecommunications market which is fast expanding.

Electronic Systems Punjab(ESPL), which is also doing well, has diversified from personal computer assembly to providing the data and production control systems for power plants, steel mills and refineries. Its innovative strength is in its custom designed software packages.

SCL, the controversial government facility, has yet to find its identity as between a designer and manufacturer of custom built (ASIC) chips for the defence telecommunications industries and a commodity supplier for the consumer market.

It has invested about $65m in a CMOS technology design and wafer fabrication facilities. But with an output this year of only 6m wafers - mostly chips for clocks and watches - it is currently operating well below an installed capacity of 25m wafers.

The state authorities are nonetheless not losing heart. Dr Mangal says that total sales by ELTOP companies are climbing at the rate of 70-80 per cent a year (as against 35 per cent on average in India for the electronics industry) and will rise from Rs2.5bn (£101m) now to Rs 4bn in 1990.

He believes the Punjab's share of the Indian electronics market will double from 5 to 10 per cent.

The focus of development has already swung from exports to the domestic market with the emphasis on telecommunications and components for the consumer electronics industry. JCT, part of the Thapar group, is bringing on stream a large picture tube plant for the fast expanding colour television market.

MIT has set up a new facility beside its magnetic head plant to manufacture floppy disk drives for the Indian market. It says that with the current Indian price for floppy disk drives well over double the international price, domestic sales are "very profitable." MIT has licences for a substantially larger capacity than its competitors.

In a different league, the government owned SCL expects to expand output of ICs (integrated circuits) from 6m a year currently to annual rate of 24m by the end of the year by concentrating on the watch market. Dr V. Mohan, the chairman, thinks that India can become a world leader in the watch and clock market.

More importantly SCL has established a new production line for making ICs with a design width as narrow as 2 microns. This gives it a capability to do more specialised work for the defence and telecommunications industries in a country which traditionally dislikes being too dependent on foreign suppliers in such sensitive areas.

EC to block Japanese on Gatt

By William Dullforce in Geneva

THE EUROPEAN Community will block any attempt by Japan this week to secure a second disputes panel under the General Agreement on Tariffs and Trade (Gatt) to hear its complaint against EC anti-dumping regulations.

Last week the EC agreed the case should be investigated by a regular Gatt disputes panel. It was "total nonsense" and an abuse of Gatt procedures for Japan to pursue the case under Gatt's anti-dumping code as well, a senior EC official said yesterday.

The legal basis for Brussels' action against the "screwdriver" assembly plants established by Japanese companies inside the EC was not the anti-dumping code but a Gatt clause which allows a government to take steps to secure compliance with its lawful regulations and to prevent "deceptive practices."

By assembling imported components within the EC Japanese manufacturers of electronic typewriters, scales and photocopiers had circumvented anti-dumping duties legally imposed by the EC on imports of finished products sold in Europe at prices below those charged in Japan, the EC official said.

Japanese officials said they would ask Gatt's anti-dumping committee, which convened yesterday, to conciliate in the dispute. This is the correct procedural step before requesting a panel to investigate infringements of the code.

Earlier the Japanese had indicated their intention of pursuing their case along both tracks within Gatt. It was unclear yesterday whether they would persist in their action under the Gatt code in face of EC determination to deny them this route.

EC officials yesterday voiced confidence that the regular Gatt dispute panel would approve Brussels' action against the "screwdriver" plants.

Evidence showed practically all the plants had been established after anti-dumping charges had been levied on imports of finished products.

Brussels' investigators found that parts imported from Japan accounted for between 80 and 96 per cent of the value of the finished product at four of the six typewriter plants. At six of the nine plants assembling photocopiers the value of Japanese components varied between 70 and 99.2 per cent.

Five photocopier plants have already complied with the EC stipulation that at least 40 per cent of the parts should be of local origin or have given undertakings to comply, the EC says.

Gibraltar to relaunch ship register

By Joe Garcia in Gibraltar and Tim Dickson in Brussels

GIBRALTAR is to relaunch its ship register as an international shipping register.

At the same time, landlocked Luxembourg, the European Community's tiniest member, is pushing ahead with plans to introduce its own shipping flag.

Gibraltar's initiative is part of a drive to boost its ship registry, which already includes 107 ships.

It is also part of a trend in which so-called open registers are growing rapidly, at the expense of such traditional maritime registers as the UK and Norway. In a recent report, the International Shipping Federation listed 20 open registers including Gibraltar, the Isle of Man, Bermuda, the Cayman Islands and Hong Kong.

Luxembourg's government said yesterday it saw the creation of a national flag as diversification for its burgeoning financial services sector and hoped that overseas shipowners would be attracted by the proposed corporation tax advantages.

Over the last ten years the number of ocean going ships registering in the EC has fallen from 32 per cent to 18 per cent.

Negotiations are currently being concluded between Gibraltar and the British government to make the present Gibraltar register a signatory to international conventions, supported by a professional marine administration.

This will be able to negotiate agreements for different crew nationalities in respect of wages and conditions of employment. Safety regulations are being tightened as a result of legislation in the UK and the Gibraltar House of Assembly. This followed criticism of the record of registers in UK dependent territories.

Mr Michael Feetham, the Gibraltar Port Minister, wishes to create an environment to attract more ship management.

Pleas to soften Government's power policy

By Maurice Samuelson

THE BRITISH GOVERNMENT is being asked by important sectors of the electricity industry to soften one of its most radical proposals for bringing about private competition.

With its electricity privatisation Bill now in its fifth draft, strong reservations are being sounded within the industry about the proposal to let heavy industry purchase wholesale power directly from the principal generating companies, instead of from the 12 area electricity companies in England and Wales which supply householders and medium size consumers.

If heavy industry used that right to the full, area boards in industrial parts of the country have warned the Government that they could lose a large part of their market which might make them unattractive to potential investors.

Civil servants have been asked to consider a number of ways of qualifying the rights of the generating companies. They include:

- A moratorium on such deals for up to five years after privatisation.
- Compensating distribution companies for loss of their heavy industry business by paying them to deliver the power to these customers;
- Financing the industrial power contracts out of special tonnages of cheap coal such as the present 4.5m tonnes a year dedicated for energy intensive users.

With the contract negotiations still at a relatively early stage, there is little sign of the Government retreating from its determination to maximise competition by giving generators untrammelled access to the National Grid.

But the discussions, at the heart of the contract negotiations between the area boards and the shadow boards of the future generating companies, known as Big and Little G, have gained new urgency after the ruling by the Monopolies and Mergers Commission that British Gas is overcharging many of its industrial and commercial customers.

Both sides want to prevent a similar delayed shock to the electricity industry after its own privatisation later in the present parliament.

The distributors are reluctant to offer long-term power purchasing contracts to the generators. They want the contracts to contain re-opener clauses to safeguard their businesses against large scale defections by customers.

Bank wants newcomers for discount houses

by David Barchard

THE Bank of England yesterday issued a formal invitation to would-be newcomers to apply to join the ranks of the discount houses, the institutions which trade directly in sterling with the Bank and pass money from it into the rest of the banking system.

The invitation was contained in a paper on money-market operations published by the Bank. Its proposals were essentially the same as those outlined in a paper in June.

There are eight discount houses at present. In spite of the large volumes of money they handle each day, the houses have found it increasingly difficult to survive on their mainstream business and most have diversified.

There are thought to be four likely contenders to set up discount houses: Midland Montagu, Warburgs, Morgan Grenfell and Phillips and Drew.

To qualify, the Bank has listed stricter criteria than those required for a banking licence, covering capital adequacy, ownership, computer systems, accounting controls and operational resources.

Price Waterhouse restructures in Europe

By Richard Waters

PRICE WATERHOUSE, the international accountancy firm, yesterday announced a new structure for its European operations, setting a precedent which some other accountancy firms are likely to take up as they prepare for the European Community's internal market.

The move is intended to strengthen PW's development across the region and to ensure that the firm can deliver a common standard of service, said Mr Jeffery Bowman, senior partner of the UK firm and chairman of a new European management board.

Legal, professional and tax regulations mean that a full merger of all firms around Europe is impossible, said Mr Bowman.

Instead, all European partners have become shareholders in a central company which will provide services to all European firms, and a management board has been established to co-ordinate the direction of individual national firms.

Partners in Deloitte Haskins & Sells will vote shortly on a similar restructuring of their own business, said Mr John Bullock, who last week took over as chairman of Deloitte's looser European federation.

The moves reflect a recognition by the large accountancy firms that they need to co-ordinate their operations more closely across Europe.

However, moves towards centralisation of control are not easy to achieve: Price Waterhouse's plans to merge with a large Dutch accountancy firm, Dijker en Doornbos, collapsed this month over the extent to which Dijker was required to give up sovereignty to PW. And Treuarbeit, one of the leading German firms which has a loose working arrangement with PW for four years, is no nearer becoming a full member of the firm, despite PW's desire to bring it into the fold.

According to Mr Bowman, the need for international links will eventually lead such firms to realise that they have more to gain than lose from stronger ties to international groups such as PW.

European space club starts to look alien

Britain finds ESA spending policies increasingly unpalatable, reports Peter Marsh

BRITAIN has the next few weeks to decide whether it wants to continue to play a leading role in pan-European space projects.

That interpretation inevitably follows the insistence by the 13-nation European Space Agency that Britain sorts out by the beginning of December whether it wants to abide by a decision of the agency's other 12 members to increase spending on space-science projects.

The altercation follows a lengthy row over money last year between Britain and the Paris-based agency. After this, the UK became the only major ESA nation not to take part in a series of European manned space projects due to cost some £9bn by the end of the century.

The sums involved in the latest argument are far smaller. The other 12 members of ESA want spending on space science to increase by 25 per cent to 1994, taking the agency's science budget to about £170m a year.

At present space science accounts for about a tenth of the ESA budget of some £1.3bn this year. The science programme largely pays for scientific satellites in areas such as astronomy.

Under the new spending proposal, Britain would have to contribute by the mid-1990s about £25m a year on the ESA science programme, compared with the £18m it is spending this year. The extra cash may seem trifling – but Britain says it cannot afford it.

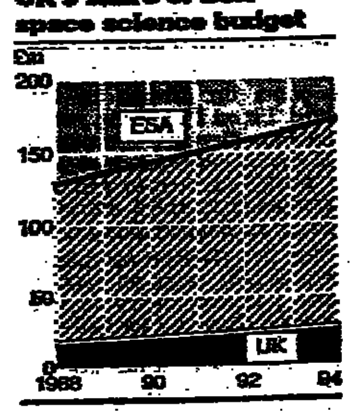
The additional money would have to come out of the budget of the Science and Engineering Research Council, which is controlled by Whitehall's Department of Education and Science. The council is being subjected to strict spending clamps due to the UK Government's wish to minimise increases in science spending.

Britain's failure to agree to the spending increases would have a severe impact on the ESA science programme. It could also have repercussions on the whole of the UK scientific and industrial community concerned with space activities.

According to Mr Geoffrey Pardoe, a UK space-industry consultant, the image of the UK in ESA would "hit rock bottom" if Britain continued to block the extra spending. He said that many officials in ESA and in other ESA nations already had a poor view of Britain after last year's arguments.

Professor Ken Pounds, a leading space physicist who is at Leicester University, said he thought ESA would find ways of applying pressure to Britain if it blocked the spending increase. This could mean important space contracts failing to come to UK companies and scientific institutions.

UK's share of ESA space science budget



At present Britain is ESA's fourth biggest paymaster after France, West Germany and Italy. It contributes about £90m a year to ESA's total budget.

The dispute over the science spending arises because, under ESA rules, science projects have to be paid for by all the agency's members according to a set ratio. The ratio depends on the gross domestic product of the different countries.

As a result each ESA nation cannot – as Britain did in the case of the ESA manned space projects – simply opt out of a specific part of the agency's science programme.

As a corollary, a single country can, like the UK on this occasion, block spending increases, even if they are agreed to by all the other ESA nations.

The extra space-science cash, so ESA officials say, is needed to plan ahead for an ambitious £2bn 20-year programme in space science.

The new science programme, called Horizon 2000, encompasses four major projects – involving astronomy, satellites, and other space probes – some of which will probably involve a large amount of collaboration with the US and the Soviet Union.

Probably the most exciting of these individual schemes is a project due to take place early next century in which an unmanned ESA probe would land on a comet – exactly which one has still to be decided – and bring a small piece of it back to the Earth. It would be the first time anyone had attempted such a venture.

If Britain sticks to its reluctance to increase spending, Horizon-2000 would have to be completely rethought on the grounds that the cash set aside for it would pay for no more than two of the four projects.

One of the ironies of the current dispute is that Britain, together with West Germany, was instrumental in persuading much of the rest of ESA to plan for Horizon-2000 in the first place. This happened during 1983 and 1984 when British scientists reasoned that a 20-year plan for space science would make far more sense than the normal stop-go pattern of spending on scientific satellites.

Another curiosity is that Britain is generally highly regarded for its contributions to space science and astronomy. UK scientific institutions scooped several important contracts which ESA recently awarded concerning the first of the four Horizon-2000 projects, a scientific mission to explore the Sun. This scheme is due to go ahead in 1995.

At the end of last week, Professor Reimar Lüst, ESA director-general, said he was still hopeful Britain would agree to the increase in science spending.

Prof Lüst recently met Lord Young, the UK Trade and Industry Secretary, in London to discuss the matter. "I think Lord Young appreciated the arguments and is trying to be positive," said Prof Lüst.

Yorkshire TV staff cuts

By Raymond Snoddy

YORKSHIRE TELEVISION, one of the big independent television (ITV) companies, is radically changing its financial structure and has announced an immediate ban on staff recruitment.

The management has told staff it wants a 10 per cent cut in staffing by July through early retirement and natural wastage.

The changes spelt out by Mr Clive Leach, Yorkshire Television's managing director, and other directors last week are a response to the Government's plans to create a more competitive environment for the ITV companies expected in its broadcasting white paper (policy document) next month.

Mr Leach warned staff it looked certain that ITV franchises would be awarded by an auctioning process next time and that the company could then be open to takeover.

Staff were told that unless every penny is screwed out of assets in future Yorkshire could be "a sitting duck" for a takeover.

Under the new strategy Yorkshire Television is to be split into separate divisions each with their own financial targets. Budgets for the 1988-89 financial year will be implemented on the new divisional basis.

The broadcasting division will sell advertising and buy programmes both from the rest of the ITV network and from Yorkshire's own programme making division.

Each part of the programme division – drama, entertainment, science/education or religion – will be regarded as separate profit centres.

In the longer term the programme division would be free to move outside the company. One of the tasks of the new facilities division will be to see whether any activities should be sub-contracted out.

Staff are also being told that all artificial demarcation lines are to be removed and the only limits recognised in future will be competence and practicality.

The company has a staff of about 1,340 and the 10 per cent cuts are expected to come from those within five years of retirement, voluntary redundancy and non-replacement of leavers.

Yorkshire says its first aim is to retain its franchise after 1992, but even if it does not it wants a profitable and expanding company.

First bodies found aboard Piper Alpha oil platform

THE FIRST bodies have been found aboard the charred hulk of the Piper Alpha oil platform which was raised from the seabed eight days ago.

Police searchers have recovered five bodies from the main accommodation section, which is thought to contain many of the 111 bodies still unaccounted for. The section arrived at the Flotta oil terminal in Orkney late on Saturday night aboard the transport barge which had carried it 130 miles from the oilfield.

The search for bodies, likely to last several weeks, is being carried out in the sheltered waters of the terminal.

A heavy-lift floating work station which retrieved the accommodation section from the seabed is returning to the scene of the disaster which claimed 167 lives in July.

Rapid recovery by accountants

COOPERS & Lybrand, the UK's third largest accountancy firm, has shrugged off two years of relatively sluggish growth which had cast a shadow over its dynamic expansion earlier this decade.

Coopers reported yesterday that its fee income in the year to September 30 grew by 28 per cent to £196m, compared with an annualised growth rate of 20 per cent in the year to March.

University labs face closure in science shake-up

By David Thomas, Education Correspondent

UP TO half of the physics and chemistry departments at British universities should be closed or amalgamated according to an official report due to be sent to university vice-chancellors (heads) this week.

The report, prepared by a special group within the University Grants Committee, the body which channels Government money to the universities is likely to result in the biggest shake-up in university teaching of physics and chemistry in decades.

It could encourage suggestion that institutions without core scientific subjects such as physics or chemistry no longer deserve the title of a university. But the UGC rejects this suggestion, arguing that the rest of their work can still be of university class, including that in subjects such as maths, engineering and biology.

The UGC has embarked on its review of physics and chemistry because it believes university departments below a certain size in these subjects cannot be sustained, given the need to offer science students a broad range of options and the high cost of equipment for research in these subjects.

The UGC does not want to cut the overall effort devoted to physics or chemistry in British universities – on the contrary, its report will recommend that an extra £30m be spent on remaining departments in each subject to improve their equipment to international standards.

The report concludes that Britain should have a total of between 30 and 35 physics and chemistry departments, each catering for at least 200 students. Of the 52 university institutions identified by the UGC, about a half pass this hurdle at present. The rest would be created by amalgamations among those departments which do not meet the 200-student criterion.

This would leave up to 20 university institutions without either physics or chemistry departments, or, in many cases, both. The UGC report is careful not to name actual institutions at this stage of the exercise. This will happen in a final document after comments have been received on its initial report.

The committee will ask for comments on this week's report by January and will expect universities to have decided how to implement the final proposals by about Christmas 1989. The first students to be affected would be those entering university in 1990.

Overdraft facilities for EC peak at £166m

By Ivor Owen

OVERDRAFT facilities provided by the British Government for the European Commission peaked at around £166m in mid-August, Mr Peter Brooke, the Paymaster General, told the Commons last night.

He was subjected to a sustained inquisition by Conservative backbenchers and Labour MPs over the effectiveness of the latest assurances secured by Mrs Margaret Thatcher, the British Prime Minister, about imposition of budgetary discipline on the European Community.

Mr Brooke said that the financial constraints were contained in Community law.

He offered no early prospect that they would be incorporated in any Westminster statute.

He said had the Government not met the Commission's request for overdraft facilities it would have risked being taken before the European Court.

Mr Dennis Skinner, for Labour, gleefully reminded Mr Brooke of the deferential reception accorded him at the Conservative conference in his capacity as party chairman.

Review will span criminal and property practices

Goverment to probe lawyers' roles

By Raymond Hughes, Law Courts Correspondent

A WIDE-RANGING review of the legal profession is to be carried out by Lord Mackay, the Lord Chancellor. It will include an examination of what work should be done by lawyers and could presage far-reaching changes in the structure and working practices of the profession.

A green paper is to be issued early in the new year, after a three-month consultation period. The intention is that decisions would be taken before next summer's parliamentary recess, to be followed as soon as possible by any necessary legislation.

In addition to examining the eligibility of solicitors for appointment to the High Court bench, the future role of a separate Bar and the question of multi-disciplinary practices, the review will look again at the extent to which building societies should be allowed to offer conveyancing services.

Lord Mackay said in House of Lords written reply yesterday that, following the publication in July of the Marre committee report on the future of the legal profession, "I have now decided that it would be appropriate to publish my own proposals relating to the requirements for carrying out in the future the work presently conducted by the legal profession."

At a press conference later Lord Mackay said there was a case for considering change. He said the Marre report had not been received with universal acclamation in all quarters and the question was, if there was to be change, should it be in the way Marre proposed or in some other way.

Lord Mackay held out the prospect of building societies being allowed to provide conveyancing services and mortgages for their own customers.

The 1986 Building Societies Act provided for the societies to offer the services only to non-customers. Two years later the recognised institution rules enabling them to start conveyancing have still not been produced. The Lord Chancellor has decided to reconsider the policy in that area as part of the general review and no rules will be produced in advance of the review.

Lord Mackay said that before the legislation was implemented he wanted to be sure that it gave the best possible service and protection to the public. One of the issues that would be considered would be whether adequate safeguards could be devised to enable building societies to offer such services to their customers, he said.

Contingency fees, a controversial issue which both the Marre committee and the earlier Civil Justice Review recommended should be re-examined, will also come within the review.

Mr Richard Gaskell, President of the Law Society, welcomed the Lord Chancellor's announcement. He said he was pleased that recognised institution rules were to be deferred, adding that it was very difficult to see how any sufficient safeguards could be devised.

The proposed review was also welcomed by Mr Robert Johnson, QC, the chairman of the Bar. He said that before making changes affecting individual aspects of the legal system it must be sensible first to identify the particular tasks that needed to be performed and the professional qualifications they required, and then to achieve the best possible match between the task and the lawyer.

The Marre committee recommended (though with its barristers members dissenting) that solicitors' right to conduct cases should be extended to all Crown Court cases.

Its other recommendations included that professionals other than solicitors should have direct access to barristers; solicitors should be eligible for appointment as High Court judges; ways should be sought to make it easier to transfer between the two branches of the profession and common training should be considered.

David Barchard writes: Lord Hailsham, the former Lord Chancellor, is understood to have been worried about possible conflicts of interest if building societies were to engage in conveyancing on behalf of their own customers, since conveyancing should include some financial advice on the mortgage being selected.

The Building Societies Association is understood to have lobbied the Lord Chancellor's Department with proposals loosely modelled on the insurance provisions in the Financial Services Act. Its suggestion was that building societies would be allowed to offer their customers a "no frills" conveyancing service which would not include any financial advice.

"However, our surveys suggest that most house buyers do not seem to expect financial advice from their solicitors," Mr Chris Jowett, legal adviser to Halifax Building Society, said yesterday. "In fact many were unaware that conveyancing services could include an element of financial advice."

Opposition mounts to Clowes lifeboat call

By Richard Waters and Charles Hodgson

CITY of London opposition to calls for a "lifeboat" to help Barlow Clowes investors hardened yesterday.

This was despite a detailed proposal for a compensation scheme sent to institutions by Mr David Shaw, a Tory MP.

Mr Shaw called for a fund of £50m, mainly financed by donations from leading banks, accountants, lawyers, financial intermediaries, newspapers which benefited from financial advertising, insurance companies and the Lloyd's insurance market with the Government's paying £5m.

He said contributions could be organised by professional bodies with the Securities and Investments Board acting as overall co-ordinator.

The SIB immediately dismissed the idea saying the activities in question took place before it took over regulation.

The Institute of Chartered Accountants in England and Wales said it was up to individual accountancy firms to decide whether they wanted to contribute. Other institutions and City firms privately agreed with them.

Inspectors find lack of basic teaching skills

By David Thomas

A QUARTER of the lessons taught by new teachers are unsatisfactory because many such teachers are entering the classroom without basic teaching skills, according to an official UK report.

The report, prepared by the schools inspectorate, reveals widespread incompetence among teacher-training institutes, schools and newly-qualified teachers. It will be seen as confirming the impression of many observers that teacher training is in need of overhaul.

In spite of these findings, fewer than 10 teachers serving their probationary period are dismissed out of more than 10,000 new teachers entering the profession each year, according to a government report published earlier this year.

Mr Kenneth Baker, Education Secretary, said that he was disturbed by many of the inspectors' findings, but added that reforms already made were working through to improve teacher training.

The inspectors' report, based on a study of almost 300 newly-qualified teachers last year, found nearly 40 per cent of their lessons to be good or excellent, three-quarters at least satisfactory, but a quarter unsatisfactory.

The New Teacher in School. HMSO. £4.50.

'Faster growth without unions'

By Philip Bassett, Labour Editor

COMPANIES without unions have a 3 per cent faster rate of employment growth than unionised companies, according to a new Government-funded study.

The results of the study, carried out by two academics and a civil service researcher, have considerable implications for union membership in the UK and for the growth of non-union employment. It concludes that "trade unions depress the rate of employment growth and increase the extent of employment decline." Previous research has shown clearly the existence of a difference in pay between unionised and non-union employees.

Doubt cast on computer cash

by Alan Cane

ABOUT 80 per cent of UK companies investing in information technology do so in the expectation of cost savings, rather than on grounds of competitiveness or as part of their strategic plans, according to a survey.

The report says UK companies invested some £10.5bn in computer equipment and services last year.

It finds that most expenditure on information technology is still justified to senior management on grounds of cost savings, in spite of evidence that traditional cost accounting techniques are a poor guide.

The survey was carried out by International Data Corporation.

UK NEWS

Welfare benefit that splits even strong governments

Peter Riddell, Political Editor, reports on more than a decade of rows over cash for mothers

CHILD BENEFIT has always been politically controversial. There were divisions within the Labour Government, now in opposition, in the mid-to-late 1970s over its introduction. And the current row over its expected freezing for the second year running is merely the latest in a regular series in the subsequent decade.

The reason is the nature of the benefit – a universal, tax-free payment made to the mother, currently £7.25 a week per child. An estimated 6.7m parents claim the benefit for 12m children, at an annual cost of £4.6bn. This is roughly a tenth of the total social security budget and the largest behind pensions and the new income support system.

Unlike contributory benefits such as retirement pensions where there is a formal pledge to uprate in line with movements in retail prices, there has never been a commitment to inflation-proof child benefit.

Consequently, when the annual decisions are made on social security uprating, child *benefit is one of the few areas* in the department's budget which offers discretion to the Government – or, as the Treasury sees it, scope for savings. It is regularly in the headlines because it is unpledged.

Yet the current controversy runs deeper since the very principles which underpinned the introduction of child benefit in the 1970s are now being questioned. Child benefit was devised to replace the dual system of child tax allowances and family allowances, as part of what some then hoped might turn out to be a broader tax credit system.

The disadvantage of the previous system was that child tax allowances gave no help to those who earned too little to pay tax, while the family allowance was only for second and subsequent children.

In the more egalitarian climate of the 1970s, child benefit was regarded as an improvement in alleviating one of the main sources of poverty – because it did not discriminate between taxpayers and non-taxpayers and because it was paid to the mother. The last point was a source of difficulty within the Labour Cabinet. A number of ministers, in particular Mr (now Lord) James Callaghan, the then Prime Minister, and influential trade union leaders argued in 1976-77 that there would be widespread objections by traditional party supporters to a transfer from the father's paypacket to the mother's purse. Accounts of these and other differences surfaced in a celebrated leaked Cabinet minute which helped to mobilise opinion to force *through the change.*

The following year there has a debate about whether child benefit should be indexed in the light of the successful amendment to that year's finance act requiring the inflation-proofing of tax allowances. This was the work of Labour rebels Mr Jeff Rooker and Mrs Audrey Wise in alliance with a boisterous new Tory spokesman, Mr Nigel Lawson. But Labour supporters of the benefit accepted ministerial arguments against indexing *because this might mean child* benefit would only be raised in line with inflation and would thus be at too low a level – such was the optimism of the late 1970s.

Since the Conservatives came to office in 1979 the value of child benefit has fallen by nearly a tenth in real, inflation-adjusted, terms. This has produced a series of Commons revolts over either the failure to uprate fully or a freezing of the benefit. Indeed, the defence of child benefit has been the one continuing rallying cry for the early 1980s "wets." The same group of a dozen or so Tory MPs has either voted against the Government or abstained.

Last year, Sir Ian Gilmour, *who has been a consistent* campaigner for child benefit, *argued that the failure to* update was a "bad blot" and "thoroughly insensitive." At the same time, Sir George Young, noting the hybrid character of its origin as part-benefit and part-allowance, argued that it was illogical to freeze it.

Within the Government there has been a growing movement away from universal benefits towards closer targeting – partly to gain control over the social security budget. This has been reflected in, for example, the introduction from this spring of the new family credit. This is a means-tested benefit aimed at low income mothers. However, according to recent Government figures, this is taken up by only a half of the expected 60 per cent of *qualifying mothers, compared* to virtually a 100 per cent *take-up for the universal child* benefit.

Such has been the political strength of support for child benefit that the last Conservative election manifesto included a promise that it could continue to be paid as now. This has limited the Government's freedom of manoeuvre, though the intention to freeze the benefit for the second year has confirmed the suspicions of its supporters that ministers want it gradually to wither away.

The possibility of restructuring the benefit has been considered, such as taxing it or means testing it. But most of these options have disadvantages, so the Government has fallen back on the option of *freezing it, despite open lobby*ing in favour of an increase by social security ministers at the Conservative Party conference in Brighton this year.

But now the story from Mr John Moore, the Social Security Secretary, is different. The message as conveyed by his speech on Friday and by the Sunday newspapers was that he wants to target benefits to help break the dependency culture. He rejects the "decorative overlay" of universal benefits. When he announces the annual social security uprating shortly, Mr Moore will claim that families in need with low incomes will receive more money from the proposed rise in family credit than they would have done from increasing child benefit for all families.

The conflicting signals from Mr Moore and his allies have, to say the least, confused Tory MPs and further damaged his reputation in Whitehall. As Mr Robert McCrindle, the Tory MP for Brentwood and Ongar said yesterday, those members who gave the Government *the benefit of the doubt last year might* now be more critical. He expected that perhaps 30 Tory MPs might rebel over the freezing of the benefit, compared with 5 last year.

Labour and the other opposition parties are also committed to child benefit, *as are outside* bodies such as the Child Poverty Action Group. But the Government faces no real prospect of defeat. The scale of the rebellion – whether just embarrassing or more serious – depends on whether Mr Moore shows more political *skill than he has in the past* year.

Moore (right) attacks dependency while fellow Conservative Gilmour campaigns for child benefit

Storm aid for Nicaragua

By Tom Lynch

BRITAIN is to give £250,000 to Nicaragua and other countries hit by Hurricane Joan, Mr Chris Patten, the Overseas Development Minister, told the House of Commons yesterday.

Answering an emergency question from Miss Joan Lestor (Labour), he said that the money was in addition to the £10,000 announced at the weekend for emergency medical and other supplies. Britain was also providing £86,000 of the European Community's £430,000 contribution. He said that the allocation of the money was being discussed with international agencies and he made it clear he would consider requests for further aid.

The announcement was generally welcomed, though Mr Neil Hamilton (Conservative), said that Nicaraguan Government policies had done more damage than the hurricane and called for aid to be concentrated on pro-Western countries.

Miss Lestor led the welcome for the extra money, and was *joined by other Labour MPs in* arguing that the war being waged by US-backed Contra guerrillas would retard the country's recovery from the disaster.

● The Government would be unlikely to pursue future foreign publication of books relating to the security services in the same way as it did with Mr Peter Wright's book Spycatcher, Sir Patrick Mayhew, the Attorney General, hinted in the House of Commons yesterday.

Sacked GRE accountant settles

By Nick Bunker

MR CHARLES ROBERTSON, the Scottish accountant who was sacked after he made allegations of tax irregularities at Guardian Royal Exchange, the composite insurer, has accepted a net £72,000 compensation from the company and abandoned his 18-month long *battle for reinstatement.*

Speaking from his home in Ipswich yesterday, Mr Robertson said that he had taken his solicitor's advice to halt his fight to regain his post as GRE's group tax accountant.

The compensation payment was "derisory," he said, but he had decided to end what he called "a very stressful situation" and seek a new job in the Ipswich area, probably outside the insurance field.

"I think my career is finished for good," he added. "If I am going to find a job it will probably be much more modest than the type I was looking for."

He said that he had already applied for 31 jobs in the accounting and taxation field, *mostly in the City of London,* but had not been invited for a single interview.

His decision came nearly two months after it emerged that GRE had finally dropped an appeal against a tribunal ruling.

During industrial tribunal *hearings, it had been revealed* that GRE sacked Mr Robertson after taking exception to the way he contacted GRE's main board directors with repeated charges of serious tax irregularities.

FINANCIAL TIMES SURVEY

Travel continues to be a key way in which companies of all sizes motivate their sales forces, as interest in the Incentive Travel Exhibition, opening today, shows. Now this incentive is increasingly being offered to non-sales staff, writes **David Churchill**

More trips as treats

John Batten

Conference and Incentive Travel

CATCHING CROCODILES in torchlight beams while paddling in a small canoe up the Amazon is the sort of adventure more usually associated with eccentric explorers than with senior business executives. But, increasingly, such exotic experiences are being used by companies to reward and motivate key employees for their performance.

Incentive travel has become not only one of the fastest growing areas of the incentives business but also an integral growth segment of the travel industry as a whole.

The attraction is simple: travel is still one of the few areas where dreams can be turned into reality.

Although many executives are well used to travelling on business, a properly organised and thought-out incentive trip offers far more opportunity to provide an exciting, luxurious and hassle-free experience than travelling to business capitals around the world.

"We are now witnessing a growth in the use of incentive travel by UK companies approaching 20 per cent a year and there is every indication that this trend will continue," points out Mr Steven Jones, director of the Incentive Travel Exhibition, which opens at the Kensington Rainbow exhibition centre in West London today.

The UK incentive travel business is estimated to be worth about £280m this year, although this is based more on industry guesses than on reliable statistical data. It does not take account, for example, of package holidays bought direct from a tour operator as an incentive.

The Incentive Travel Association, the main trade body for the sector, is consequently undertaking research to try to establish a more accurate figure for the level of activity.

Part of the problem, however, is the way in which conference travel and straightforward incentive travel have become inextricably linked as far as hotels, airlines and companies are concerned.

Many companies, in fact, do disguise an incentive trip as a conference meeting by arranging to hold business seminars on a luxury cruise liner or on some Caribbean island. This is the way in which the US conference and incentive travel market has worked for many years, largely as a result of the need to bring together scattered sales forces for regular motivational sessions.

The difficulty, however, for those in the travel industry is identifying when conference travel is really a disguised incentive and when it is a genuine business conference. A *bona fide* conference with paying delegates will require a different approach from one where the conference is a disguised incentive and the participants expect luxury treatment.

But whether it is a conference or an incentive trip, there is little doubt that the companies paying for the travel are seeking some sort of return for their investment.

The straightforward incentive travel trip has traditionally been used for motivating sales forces in industries such as insurance, motors and pharmaceuticals. Companies in these sectors all depend a great deal on highly motivated sales forces – or dealers – to sell their products. Simply offering a better car or more money only works up to a certain level, these companies believe, while travel offers an unforgettable – and, it is hoped, enjoyable – experience.

Research in the US has also shown that individuals who earn the right to be on a trip one year often work even harder in the following year to ensure that they retain the perk, lest the executive lose status in the eyes of his peers.

Yet the problem with such performance-related incentives is that they motivate only the high-flyers: those without a realistic chance of achieving the travel award may be demotivated early on.

Incentive travel organisers and their users are increasingly seeking ways of getting round this problem. One approach has been to offer different grades of travel incentives: a short-haul trip to a European city could be the incentive for those less successful than the high-flyers who win trips to more exotic long-haul destinations.

Another device is to offer a voucher or points system for reaching certain sales targets. The vouchers can be traded for a range of travel opportunities which participants can take at a time of their own choosing. Such a scheme gives sales staff the flexibility of taking small rewards or saving up for a major trip.

One of the potential growth areas for incentive travel is towards motivational systems for non-sales staff. Mr David Tonnison, marketing director of incentive travel specialists The Travel Organisation, says the slow growth of incentive travel schemes for non-sales staff reflects the lack of adequate quantitative measurement criteria.

"Clients, while accepting qualitative criteria as important, are reluctant to introduce incentive travel awards where there is not a quantitative measure as well," he points out.

But incentive travel schemes are slowly making inroads into non-sales areas, largely as a result of the need to boost staff productivity all-round. Hence schemes exist for such productivity benchmarks as timekeeping, cost reductions, stock turn improvements and better debt collection.

"There will soon be as many incentive travel programmes for non-sales staff as for sales staff," says Mr Jones of the Incentive Travel Exhibition.

"Such awards can be tailored in cost, duration and location to meet different requirements. They do not necessarily have to consist of a fabulous trip for just a select few."

The typical incentive travel trip is hard to define. Mr Jones suggests that the average duration of a trip is about a week long, with the average spend per participant some £2,500 for long-haul and £1,000 for short haul.

Mr Tonnison, however, has noticed a growing interest in companies seeking a highly themed and creative event in the UK, rather than a longer overseas event.

"A significant element in the clients' mind is the reduction in out-of-office time required, even though the cost per day of such UK events may not be markedly different from their overseas counterparts," he says.

Experience has shown that companies prefer flight times of up to 1½ hours for short-haul flights and up to 10 hours for long-haul. They also prefer not to change aircraft and to remain at one centre with a strong local interest and image.

According to Mr Tonnison this means Hong Kong is more popular than Macau and Monte Carlo than Nice. Munich is preferred to Baden Baden and San Francisco to San Diego.

But new incentive destinations keep emerging. Australia, for example, has become one of the most popular "new" destinations as a result of the Bicentennial, Expo and *Crocodile Dundee*.

"I took a group to Australia over three years ago when there were very few hotels of exceptional quality," says Mr Graham Frazer, director of incentive operator Travel Awards which recently took 72 oil company executives and their spouses to Australia.

"Today, the choice, quality and infrastructure are world class," he adds. "All of the delegates this time were tremendously impressed from the moment they arrived."

He also points out that "the distance was not an issue partly because of the new generation of aircraft and also because long-haul travel has become something of the norm for incentive travellers."

Yet incentive trips in the UK can work just as well. Earlier this month, for example, British Telecom held a successful conference at Esseborne Manor in Hampshire, one of the 30 hotels in the Pride of Britain marketing consortium.

"Esseborne Manor has all the facilities of a quality city hotel but with the advantages of discreet service which in our experience only a personally run hotel can provide," says a British Telecom spokesman.

"Too many conferences are spent chasing the coffee and waiting for lunch – the well-managed smaller hotel makes you feel everything revolves around your needs," the spokesman added.

Increasingly, companies are turning to specialist travel organisers to put together their incentive programmes. A decade ago there were few such specialist operators: now, there are more than 100.

But these specialists still face something of an identity crisis. Are they travel agents who understand incentives; or a marketing operation with an expertise in travel? In a bid to resolve this dilemma and raise standards, the Incentive Travel Association was formed in the mid-1980s with a membership which excluded client companies and suppliers of services such as hotels and airlines.

Incentive travel suppliers are more usually found in membership of the UK Chapter of the US-based Society of Incentive Travel Executives.

Both organisations are concerned with increasing the degree of professionalism in incentive travel, especially since the sector's rapid growth in recent years has attracted some travel and marketing operators who have little real expertise in the business.

"But incentive travel users are becoming more demanding about the standards of professionalism and creativity," warns Mr Tonnison. "Their star performers have usually been on many previous trips, either with their present companies or a previous employer, and they know what they are entitled to expect."

When more than a travel agent is required

The added value of using a specialist

IF YOUR objective as an employer is to give your top achievers something that they would not normally be able to afford or have access to, then it is no good buying 50 package holidays from a travel agent.

Cocktail parties, gala dinners, celebrity entertainment, special airport check-ins and anything else out of the ordinary have to be planned and organised by a specialist, an incentive travel operator. At least, that is the argument specialists in the incentive field put forward as to why you should use their services.

In short, it's horses for courses. "Incentive participants need to be treated differently from the regular holidaymaker," argues Mr Peter Hillman, project manager at Sheridan, an incentive specialist.

"They expect porters, a pre-designated airline seat, pre-registration at the hotel and so on. Everything we do is calculated to be the best quality possible within the client's budget."

What sets the incentive specialists apart from general travel agents, they claim, is specialist knowledge, from knowing which the best restaurants are in a certain resort in order to arrange an informal dinner and get-together to in-depth knowledge of hotel facilities to organise a business function and perhaps most importantly, access to the best rates.

"If the client is doing a low-key promotion and wants to give the salesforce 50 holidays, that's fine," says Mr James Penney of incentive operator Travel Awards.

"But anything more complex and he should come to us. A client would use a specialist for his advertising or sales promotion, so it should be the same for his incentives," he adds.

"We can organise an event on the Northern Ice Cap on the day of the 24-hour sun, to more prosaic European or US incentives. There's not a place in the world we haven't explored. We do 150 events/projects/programmes a year so we're adding to that knowledge all the time."

Then, of course, there is the peripheral management services a specialist can provide: merchandising the event; helping to provide event communications such as teasers and flyers; and the launch package itself which usually incorporates a video of the destination and what it has to offer.

"It requires creativity, it's not just travel arrangements," says Ms Sue Bryant, account manager at CID Incentives. "If a travel agent starts to organise an incentive he gets bogged down in detail as he doesn't know what to expect."

So just who does use general travel agents for buying incentives? It seems to be the budget-conscious clients and the new buyers of incentives. Those who want only a flight and half-board would easily be satisfied.

"Clients often go to a general travel company to save money, but they'll find that often they're just booked on a package tour," says Ms Bryant. "That won't give them the services they want."

"The last flight was cancelled. They enjoyed the extra evening in Munich. Our staff was up all night to get them on the first aircraft home"

But if anything should go wrong on foreign soil, claim the specialists, they will have you out of trouble in a jiffy, because of their patronage of a large network of regular suppliers. Just because something is booked doesn't necessarily mean, unfortunately, that it will operate. The travel industry may boast state-of-the-art computer reservation systems, but it counts for nothing if a flight is grounded at Frankfurt Airport.

"I had a group of 20 in Munich trying to fly home on the last flight of the day, but the flight was cancelled," recalls Mr David Hackett, managing director of The Travel Organisation.

"Our staff member got them back to a hotel and was up all night to ensure that they were on the first available flight the next morning. Because it was managed well, the group enjoyed an additional evening in Munich."

It underlines the point that a client only has one stab at getting the incentive right, one attempt at motivating staff and treating them as guests throughout the trip.

Getting someone else to manage the event also leaves the client company free to enjoy the incentive. "The managing director is just as much a delegate so we'll pre-manage it so he's free to enjoy it for business purposes and not for administration purposes. That role is a complete burden," says Mr Hackett.

But what about the cost? A weekend in Paris is likely to be twice as expensive through an incentive specialist but it's justified by all those extras, afternoon tea on a *bateau mouche*, special group rates at *Le Crillon* and so on. Very often, the difference can be in the added value a specialist can incorporate to a package.

"I can't necessarily better the air fare every time but we'll give more service for the price, says The Travel Organisation's Mr Hackett.

Client fees for the use of an incentive specialist range between 10 and 15 per cent on net cost. On top of that, the client will have to pay for the extra seat on an aircraft and extra hotel room for the incentive company's staff representative to be present.

But, on the plus side, claim the specialists, the air fare and room rates will be the lowest possible.

"For value, we will ensure that our buying skills will produce a cheaper solution for a comparable package," says Mr Hackett. "For every £1 spent, the client wants £1.50 on value delivered and we'll beat anyone on value."

Certainly, it is advisable to have a representative from the specialist company in attendance if the group is larger than 30. Just in case, of course.

Gillian Upton
Editor, Business Traveller

CASE STUDY

The Abbey Knockout

REWARDING A salesforce that already receives many incentives to sell provides a brain-twisting challenge for its employers' conference and incentive department each year.

Abbey Life, like many of its rivals in the financial services sector, has a large self-employed salesforce to satisfy and, along with Allied Dunbar, helps to set the standards in the industry.

"We're actually a little sparing on them," says Mr Peter Hickling, Abbey's assistant executive director, marketing operations. "The top achievers get a chance to go on an incentive only once a year. We don't want them to get the stage where they're saying, 'Oh, not another convention!'"

Every other year Abbey's top achievers strive for one of the 150 or so places in the elite Chairman's Club. In the years in between, like this year, all the salesforce competes for a place in a much larger incentive, the Agency Convention.

Aside from limiting the frequency of any reward, Abbey is careful not to throw money at its salesforce. The incentive is a package of benefits and non-cash rewards to which it can respond. Mr Hickling explains: "Most people in the income bracket of successful salesmen have been to most parts of the world before, so the whole key is to provide unique added value."

So when Monte Carlo was chosen as the venue for its 1988 Agency Convention in July, the salesmen had to experience Monte Carlo with a difference. Abbey's salesforce had been on a cruise with a difference in 1986 when the company hired an entire ship, the Sea Princess, for 12 days for a cruise around the eastern Mediterranean. It was a hard act to follow.

"Changing the venue and the gear completely is one of the keys to running successful conventions," points out Mr Hickling. "The 1988 event, which had a budget of over £1m, was promoted during the qualifying period with teasers, reminders, branch parties and other events to help work up enthusiasm. It worked, but the numbers involved for this year's junket – more than 1,200 including partners, made it a logistical nightmare.

More salesmen qualified than expected from the two-tier target levels. The top end qualifier (who earned at least £40,000 commission during a specified 15-month period) won a seven-day trip via Paris; the *lower-level qualifier (who earned a minimum of £28,000 commission)* won a five-day trip via Nice.

Hitting the target: the "It's an Abbey Knockout" competition in Monte Carlo

Mr Hickling concedes that the complexity of the event derived in part from the unusually large number of participants but Abbey certainly did not plan to disappoint so many high achievers. The number had swelled from an original figure of 700. Most incentive organisers would agree that delivering to a target group becomes more difficult as numbers rise because such events depend on the synergy of the participants. If they do not see one another, they lose touch and their enjoyment suffers.

But Abbey gave it the green light and the fun began. "We said, 'Work hard and we'll show you France on the way,'" recalls Mr Richard Pavitt, who was Abbey's conference and incentives manager in 1985 when the plan was devised. He remained planning supremo after he left Abbey this April to become Richard Pavitt & Co.

Abbey decided to make the getting there as much fun as possible. Some 38 aeroplanes were *involved on the outbound and inbound movement*, using all the UK's regional airports. Overnighting in Paris meant the best hotels, food and cabaret while *the following day* they departed on a 100-plus car rally to take part in the 620-mile Tour des Gourmets Treasure Hunt, a drive that would take them three days until they reached Monte Carlo.

"No-one's ever driven 400 people from Paris to Monte Carlo and got everyone there safely," says Mr Pavitt. "It's terribly exciting to be able to do things like that."

Francophile Richard Binns suggested the routes, a rally expert put down the tulip symbols and veteran rally driver Stirling Moss added the glitz to the event. A section of the British Forces on leave made up a team of chase cars to make sure nobody got lost.

While they were eating up the miles on French D roads, the less intrepid top achievers took to the tracks on the TGV to Avignon to spend the night in a Relais chateau before finishing the journey the next day. The lower band of achievers flew direct from the UK to Nice airport.

Once in Monte Carlo, participants were split among four hotels – spread half a mile apart – including the premier establishments, *the* Hotel Hermitage and Hotel de Paris. During the day they were left to their own devices. There was tennis coaching by David Lloyd, a golf tournament, sleeping in or sunbathing. One *afternoon* there was, coincidentally, a Royal Navy airshow, and another the half-day business conference with the theme, *Expectations*. On the last evening, Abbey had laid on a statutory gala dinner to close the proceedings, with an "It's an Abbey Knockout" competition the previous evening.

Throughout the period Abbey relied on its own team of 100 staff members to smooth the way rather than on ground operators.

Was the event rated a success? "Monte Carlo was enormously successful," says Mr Hicking. "We always do a survey afterwards and it rated very highly although not as highly as the Sea Princess. We had more qualifiers than we anticipated so the event was not as laid back as we'd wanted it to be.

"It's very easy for professional convention organisers to lose sight of what the actual qualifiers want," says Mr Hickling. "We haven't learnt anything new from this year's event but people perhaps aren't as sophisticated in their requirements as the organisers think they are."

And Abbey's 1990 Agency Convention? The destination is under wraps until November 4 when it will be announced with a video to start the incentive ball rolling again.

Gillian Upton

CONFERENCES

A £900m market

THE BUOYANCY *of spending* on conference travel rests very much on the strength of conference and meetings *business overall – and there* seems no lack of demand for conferences of all types.

New figures from the British *Association of Conference* Towns show that the UK conference market is worth about £900m a year, although *this figure probably* under-estimates the true size of the market if all types of meetings and conferences are *taken into account.*

London alone hosts an estimated 20,000 meetings a year and, along with Paris, *is the favourite among* European convention venues.

Evidence of the strength of support for the conference *business comes* from the £121m investment in the International Convention Centre, currently under *construction in the centre of* Birmingham, in the Midlands.

Already the ICC has won two major bookings - the 17th International *Congress* of Genetics in 1993 and the International Association of Professional Congress Organisers which will hold a two-day event in the spring of 1991.

UK facilities have in the *past decade been found* wanting in terms of attracting the major conferences. *Hence the significant investment in recent years in such* venues in London as the Queen Elizabeth II centre at Westminster, the Wembley *conference centre*, the Barbican, Alexandra Palace, and a new £3.5m complex at Olympia.

Other conference venues currently under construction include the London Multiplex Centre at Victoria Dock and *the Docklands* Arena.

What is spurring the growth of conferences and meetings is the sustained economic *growth of the past few years* which has created a demand *for out-of-office meetings.*

The Economist Intelligence *Unit, in a recent report*, *suggests that the UK* conference market "will continue to grow at a rate *comparable to that of business* travel as a whole."

However, much of the growth will come not from demand for small to medium venues. Many surprising places are available for meetings – ranging from London Zoo to Tottenham Hotspur Football Club.

Hotels located near airports and motorway intersections also report a growth in demand as venues for small meetings and conferences.

The 1980s boom in business *training has also been a factor* behind the growth of the *market*, with particular emphasis on small residential *country hotels rather than* city centre hotels.

The economics of conferences also makes it *usually more attractive to lure* overseas visitors to the UK. Overseas conference visitors to the UK are estimated to *spend £412 a visit, compared* with £381 for business travellers in general, and £335 a trip for leisure travellers.

US convention visitors account for *about* a third of all delegates to the UK and spend on average £572 a head, *against the conference* average of £412.

David Churchill

Why cruising is popular again

Luxury on a budget

CRUISING IS rapidly becoming one of the the most popular types of conference and incentive trip, having shrugged off its rather dowdy image of the early 1980s to emerge in the minds of many as the travel trip of a lifetime.

The fact that the reality of cruise ships may not always live up to the image – such as crowded sun decks to rival anything on the *Costa del Sol* or the indignity of two sittings for dinner – has not seemingly detracted from the appeal of this form of travel.

Mr Colin Cooper, conference and incentives manager for Princess Cruises, reports that "there have been four times as many inquiries about cruising as a conference or incentive this year as we had last year."

While not all these inquiries obviously turn into firm bookings, the experience of Princess Cruises is echoed by all its major competitors.

What makes cruising so attractive is its flexibility. It offers not only meeting rooms for conferences and briefings but also all the facilities of a large modern hotel – such as restaurants and swimming pools, as well as dancing and entertainments every evening.

More importantly for the organisers, it keeps everyone – executives and their spouses – in one location where it is possible to ensure that they they are being well looked after as well as having them in the right place to get the corporate message across.

Budgets are also an important factor when organising a conference or incentive travel trip and cruising enables the *actual* expenditure to be forecast very accurately, since the bulk of spending – fares, accommodation and food – can be calculated in advance.

Discretionary spending aboard ship is usually left to the individual, although companies anxious to ensure the success of the trip may decide to pick up the total tab.

From the individual executive's point of view, cruising offers a trip which many would like to do but few feel they can afford. *In fact, cruising is often* no more expensive than land-based hotels – but it is perceived as a luxury trip and *that is all*-important.

Cruising also enables companies to deal with a single supplier for travel, accommodation and so on, as well as with experienced organisers of incentive and conference trips.

One of the top cruise lines favoured by incentive companies is the Royal Viking Line, which operates up-market cruise liners out of the US, Caribbean and Mediterranean.

Allied Dunbar, the financial services group, has chartered the Royal Viking Sky in June next year for three six-day cruises. And Princess Cruises has recently taken groups from Hoover and Firestone Tyres on its lines as incentive and conference cruises.

Some companies that decide to use cruising as a conference or incentive trip are taking advantage of the benefits of a cruise for small groups or even individuals.

But it is the larger companies which are currently most attracted by the motivational aspects of cruising. They are *also looking for liners providing* up-to-date audio-visual technology to enable conferences to take place on board.

David Churchill

HOTELS

A no-hassle service

WHEN Lloyds Bank wanted to hold a top-level management conference recently, it looked for a venue that provided security with comfort.

The bank chose the Lygon Arms, a luxury country hotel owned by the Savoy Group in the heart of the Cotswolds, which not only has the latest meeting facilities (including a computer link) but also is prepared to offer exclusivity.

"With security and confidentiality becoming more important to companies, we have noticed a growing trend of management teams coming to the countryside and taking over the Lygon Arms for exclusive use," says Mr Kirk Ritchie, the Lygon Arms's managing director.

It is hardly surprising that top-class hotels such as the Lygon Arms go to this trouble, since the conference and incentive business is the fastest-growing sector of the hotel industry.

Virtually all types and sizes of hotels now go to great lengths to woo the conference and incentive traveller – such as arranging special theme nights to go with a corporate campaign. Two pharmaceutical companies recently took their sales forces through a mini-Olympics at the Holiday Inn in Malta as part of their motivational campaign.

But increasingly the hotels are seeking to provide a hassle-free service to conference and meeting planners. Grand Metropolitan's Berni and Chef & Brewer Hotels group, for example, has just launched a special "Meetings Planner" facility aimed at companies who want to use its budget-priced hotels.

With this service Berni's hotel team finds the most suitable hotel within the group for the needs of the conference and meeting organisers. "We have spent almost a year researching customer's needs, formulating our operating and service standards, equipping our meeting rooms and – most importantly – training our staff to get our new meeting package right for our customers," explains Mr Mark Marshall, director of hotels marketing.

Providing a centralised service is also increasingly the policy of the large international chains. The Marriott Group, for example, which operates some 180 resorts and hotels around the world, can arrange conferences from a central reservation facility and it also publishes a quarterly magazine called *Network* for meeting planners.

Marriott calls its conference operation the "No Risk Meeting" programme. Mr Kees Kleeman, director of sales and marketing at the Amsterdam Marriott hotel which initiated the scheme, explains: "We decided on the No Risk Meeting programme because we are aware of the pressures placed on the meeting planner to organise a successful trip."

Trusthouse Forte calls its central booking service Meeting Point – a facility which enables users to select from more than 200 hotels.

While hotels have traditionally sought the conference business, more and more are now seeking to organise incentives as well.

Holiday Inn, for example, has long been an established conference venue but it has recently also launched an incentive package in nine *European cities and resorts* ranging from Manchester to Madrid.

The two-night and four-night packages include sporting and cultural events, a cruise on the Rhine or even a visit to the Rovers' Return at the Granada television studios in Manchester.

"We decided the time was right for Holiday Inn to enter the incentive market and we have pitched our programmes at the expanding mid-management sector of the market," says Ms Pamela Carvell, marketing director for Holiday Inns International in Europe.

"We believe that annual sales meetings are now not just viewed purely for communications but for motivation, thus expanding the demand for incentive travel locations," she adds. "We plan to expand the programme to include locations throughout the Middle East and Asia Pacific in the near future."

One problem facing UK hotels has been the after-effects of 1986, when American fears of terrorism led to advance plans for conference and incentive trips to Europe being cancelled. Since the lead time for some of these events can be two years or more, the UK hotel industry has been surprised to note a return to favour with US conference and incentive organisers.

Mr Robert Tether, sales and marketing manager for the St James Court Hotel in central London, says that there has been a marked increase in interest from the US. "London in particular is becoming a popular venue again and anything which is typically English, such as the St James Court, is especially favoured," he says.

In the international market the Caribbean remains a key favourite with both Britons and Americans. "The Caribbean is an ideal venue for conferences and incentives since it has all the motivational assets of sun, sea and entertainment, plus the infrastructure to cope with large groups," says Mr Drew Foster, managing director of specialist operator Caribbean Connection.

Earlier this year, for example, Pioneer and Mutual Insurance took a group of 50 sales staff and their partners to Heywoods Hotel in Barbados, both as a reward for sales performance and as an opportunity to discuss future objectives.

Elsewhere in the Caribbean, the Antiguan Tourist Board is making plans to expand its share of the incentive and conference market with the opening of a hotel – The Royal Antiguan – which has been purpose built for large groups and conferences.

Although most hotels recognise the need to meet the growing demand for conference and incentive custom, some pay only lip-service to the need for higher standards.

One common complaint is the failure of many hotels to provide a single-person contact for meeting planners in the run-up to a conference and for the meeting itself. Often all kinds of hotel staff are used, leading to confusion and lack of co-ordination.

Other complaints include poor banqueting facilities and ineffective technical equipment. Some hotels also fail to separate hotel and conference guests.

Advice from conference planners suggests that those responsible for organising meetings should leave little to chance.

"Make sure the facilities meet the needs of the event – including such details as whether the lifts can handle bulky exhibition material," is typical advice.

David Churchill

Meeting places - from the slightly unusual to the distinctly odd

Swim with dolphins, hire an island

NEXT MONTH the fourth annual Countertrade Conference is being held at the Hyatt Regency Hotel in Singapore, and 250 are expected to attend. Nothing particularly unusual in that. But if you want something out of the ordinary to which to tempt phlegmatic punters or a jaded workforce, there is still plenty on offer.

Obviously, if there is time, and money is not a crucial factor, you will be thinking of going overseas. But one need not stay on the beaten track, even in the UK. Here are some suggestions, from the offbeat to the ever-so-slightly-absurd.

☐ **Dubai.** A daily flight by Emirates from Gatwick Airport includes a five or six-course meal on Royal Doulton china. There is free car transfer at both ends of the route and first-class business travel between Gatwick and Victoria Station, London for first and business class passengers.

The airline uses the Airbus A310 but has opted for six fewer seats than the normal capacity of 187 passengers: 18 first-class electronically-reclining sleeper seats, 32 business class sleeperettes and 131 tourist seats. Instead of the standard six toilets, Emirates A310s have seven.

The Dubai Marine Hotel boasts a Thatchers pub and restaurant, while the Chicago Beach Hotel offers four swimming pools. The Jebel Ali Hotel – just past the port, with transport to the town and airport available all day – claims its location is perfect for seminars and offers full conference, convention and secretarial facilities.

With the opening of the Emirates golf club earlier this year, the city has the only grass championship course in the Gulf. At the Al Maktoum Stadium there is soccer, while a 30,000 capacity cricket stadium and 15,000 seater hockey stadium are under construction. Chess and squash are also popular.

Eating out? Indian, Mexican, Chinese food, pizzas, fish and chips, vegetarian, Arabic, Kentucky Fried Chicken – Dubai caters for all palates.

☐ **The Bahamas.** Surprisingly, UK and US citizens do not need passports to enter if their visits do not extend beyond three weeks. But Britons will find that it is a different matter when they return home.

Where else can you combine windsurfing, parasailing, scuba diving and going to a casino with a plethora of first-class conference facilities? Moreover, the highest recorded temperature in the hottest month – August – is no more than 95F, while the mean of the daily minimum temperatures in the coolest month – January – is as high as 62.9F. The worst month for rainfall is June, but November to April are fairly dry.

☐ **Young Island.** Off the coast of St Vincent, this island – whose sole property is a luxury hotel consisting of 29 bungalows – is available for hire. It is an ideal place for spectacular sight-seeing and trimaran voyages, eg to Mustique, but not for a conventional conference. More details: Peter Roberts 236-1728.

☐ **Bermuda.** Ford, Rover, Alfa Romeo and Renault have all sent groups to the island this year. Hotels like the Marriott Castle Harbour and the Elbow Beach can cater for thousands, but other such as Glencoe, Cambridge Beaches and Pompano Beach Club are now wooing smaller groups, offering an all-in rate, including meeting room facilities.

☐ **Hawaii.** The Hyatt Regency Waikoloa, which opened last month is described as a $360m "fantasy resort." To give some impression of the place, it is hard to improve on the press release: "the focal point of the 62-acre resort is a 77-step 105 ft-high grand staircase that descends towards a four-acre lagoon with its own beach where guests can swim with the dolphins."

Glyn Genin

The Raffles in Singapore: a famous hotel which recalls the heyday of the British Empire

The 1,241-room hotel provides "every imaginable activity to enable guests to live out their fantasies." Rest assured: only fantasies that may be mentioned in polite society are catered for – guests who might like to spend the day being a racing car driver, a big-game hunter on safari, a cowboy at a working cattle ranch or, of course, a dolphin trainer.

And, to reach their rooms, they can choose between a boat trip on a mile-long network of canals, a tram journey or a walk across a museum filled with $3m of Oriental and Pacific artwork.

With seven restaurants, eight tennis courts, 12 lounges, penguins and a health spa, there is a risk of being overwhelmed. But there is also 7,500 sq ft of meeting space if your visit has a serious purpose.

☐ **Norway.** Why not hold your next conference north of the Arctic Circle? The SAS Alta Hotel is centrally situated in the town of that name. In the winter there are snowscooter safaris and reindeer driving, while summer provides the opportunity for panning for gold and white water rafting.

The 155-room hotel has all conference facilities, including audio-visual equipment, telex and telefax. It is fully licensed, with a sauna, solarium and discotheque.

☐ **Singapore.** Raffles Hotel, with 127 rooms, is small by the country's standards and (relatively) expensive. But it has a history that many of its rivals lack. Rudyard Kipling, Somerset Maugham and Noel Coward stayed here. The hotel opened in 1886 and its architecture is French Renaissance: the ceilings are high, the stairs are balustraded and the corridors wide.

Though it might be impractical, one could stay here and attend a conference elsewhere in this convention city. According to the Singapore Tourist Promotion Board, the cost of a first-class hotel room in the city is less than half that in London or Paris. The same holds true for meals, while getting around Singapore in a taxi costs about a quarter of what it would cost in London and less than a fifth of what it would cost in Tokyo.

☐ **Macau.** The Mandarin Oriental has recently opened conference facilities for 240 delegates, as well as a VIP departure lounge at the Shun Tek Centre, the Macau ferry terminal in Hong Kong. Coca-Cola, Peat Marwick and Cathay Pacific Airways have already made use of them. Even at 4am the hotel can provide a *son-et-lumiere* show.

☐ **Wales.** Other than that it is a former Bethesda chapel, the Llangollen conference centre may not be all that remarkable. But the town, close to the North Wales border, is ideally situated for small national conferences and within easy reach of airports at Manchester, Liverpool and Hawarden.

The auditorium seats 150 and tipplers need not be worried about the building's former use – private bars can be arranged. Activities that can be provided for delegates include white water rafting, canoeing, clay pigeon shooting, wine-tasting contests and canal boat trips. More details: Roger Francke 0978-861712.

☐ **Oxford.** Exeter College has a lecture hall for 150 plus a dining hall for the same number. It has seminar and computer rooms and its recent clients include a variety of organisations: Bonn University, Oxford magistrates, the Musical Appreciation Society, Mobile Radio Users' Association and the Law Society. Though conference delegates dine in hall, they will not necessarily sup with academia: the college's fellows dine in the Senior Common Room rather than at High Table during the vacations.

Indeed, almost all Oxbridge colleges can be hired for conferences, not only during the long summer holiday from the end of July to early October, but also during the Christmas and Easter breaks.

Mr Jerry Salter, Exeter's domestic bursar, argues that the colleges are better value than purpose-built conference accommodation, such as the Randolph. He admits to a lack of bathrooms *en suite*, but he points out that all the bedrooms are now centrally-heated and all have hot and cold water. Scouts still attend, to add to the charm, even if they no longer have to pour out vases of steaming water from which to shave. Inquiries (mornings) 0865 279641.

☐ **Eton/Windsor.** The College, one was politely informed, is not available at any time of the year for conferences. As for the Castle, one did not presume to ask. Salter Brothers, the boat company, said it could handle small conferences of up to 70 people, but usually these would be spin-offs from Oxford conferences, where delegates were enjoying a day out on the river. None of its boats had a meeting hall.

☐ **The Thames.** HMS Belfast, permanently moored between Tower Bridge and London Bridge, can cater for conferences of up to 125 people seven days a week. There are the usual convention facilities, with additional charges for audio-visual equipment. Though it is not possible to spend the night on board, a licence extension can be applied for if at least 10 days' notice is given.

Ring & Brymer, the sole caterers on board, is a division of Trusthouse Forte and a choice of menus is provided in *advance.*

☐ **Cinemas.** The Rank Organisation occasionally takes bookings for conferences, but these must subscribe to a rare condition: they need to be morning-only events. Refreshment facilities rarely extend beyond an airline box on the knees. But for a close-circuit TV presentation, the cinema is ideal and recently the Prudential hired about 30 cinemas round the country (including some Cannons) to motivate its agents.

☐ **Buckinghamshire.** Cliveden, which belongs to the National Trust, claims to be England's only stately home hotel. It has been the home of a Prince of Wales, three dukes and the Astor family. The set is still exclusive – there are only 18 bedrooms – but there are conference and almost all other facilities. It is also convenient for Ascot races.

☐ **Cleveland.** The delightfully-named Grinkle Park Hotel at Easington is situated between the moors and the sea in 35 acres of parkland. Darlington railway station is 45 minutes away and smaller conferences (up to 60 people) can be held. More details: 0287-40515.

☐ **Devon.** Twenty miles from Exeter, the Moorland Hotel at Bovey Tracey, Newton Abbot, is situated on Dartmoor. More details: 03646-407.

☐ **Leicestershire.** With facilities for five separate conferences – though four of them would have to be pretty small – Stapleford Park, near Melton Mowbray, was formerly the country seat of the Earls of Harborough. Children over 10 only. Details 057284-522.

☐ **Worcestershire.** Eight separate conferences could be held in the Chateau Impney Hotel at Droitwich Spa. A replica of a French chateau, erected in the 19th century by a local millionaire, is interlinked through a subterranean passage with a purpose-built 7,000 sq ft conference centre. There is also a purpose-built syndicate centre and a leisure centre, while there are private dining facilities in the chateau.

☐ **Vienna.** Just in case you have dismissed all these suggestions, you might be interested in a conference for conference organisers next April. *Conference '89 will feature case* study presentations from senior managers in European commerce and industry. There will be more than 12 hours of intensive business sessions for the 2,000 delegates. The £790 fee includes return air fare within Europe and first-class hotel in Vienna for three nights. Curiously, the "special low-cost spouse/partner package" at £290 covers four nights. Details: Group Communications 01-482 4424.

Gabriel Bowman

FT LAW REPORTS

Charterers not liable for fog delay

BULK TRANSPORT GROUP SHIPPING CO LTD v SEACRYSTAL SHIPPING LTD
House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Templeman, Lord Ackner and Lord Oliver of Aylmerton): October 20, 1988

WHERE DISCHARGING time under a berth charterparty is to count from when the ship gives notice of readiness "whether in berth or not", the charterer is not liable for delay if the designated berth is available when notice is given but is unreachable because of fog.

The House of Lords so held when allowing an appeal by charterers Bulk Transport Group Shipping Co Ltd from a Court of Appeal decision *[1987] 2 FTLR 171* that they were liable on a demurrage claim by Seacrystal Shipping Ltd, owners of the Kyzikos.

LORD BRANDON said that by a voyage charterparty dated October 26, 1984 the Kyzikos was chartered to carry a cargo of steel from Italy to the US Gulf.

She was ordered to discharge at Houston. She arrived and anchored there and the master gave notice of readiness to discharge. The berth at which she was to discharge was available, but she was prevented from reaching it by fog until three days later.

The owners claimed $30,435 demurrage. The charterers denied liability. The question was whether time for discharging counted during the period in which the ship was prevented from proceeding to berth by fog.

The arbitrator decided that the owners' claim succeeded in full. Mr Justice Webster allowed an appeal and dismissed the claim. The Court of Appeal allowed an appeal and restored the arbitrator's award. The charterers now appealed.

The charterparty was on the Gencon Box Layout printed form 1974, with typed entries and amendments.

It provided that discharging time was to commence when notice of readiness was given, "time lost in waiting for berth to count as discharging time". Typed additional words provided "Time to count...wipon/wibon/wifpon/wccon..."

Those acronyms had the following meanings: "wipon" - whether in port or not; "wibon" - whether in berth or not; "wifpon" - whether in free pratique or not; "wccon" - whether cleared customs or not.

The characteristics of a port charterparty were that the ship's contractual destination was a named port, and that the ship, to qualify as having arrived at port and entitled to give notice of readiness must satisfy two conditions: that if she could not immediately proceed to berth she had reached a position within the port where waiting ships usually lay; and that she was at the immediate and effective disposition of the charterers.

By contrast the characteristics of a berth charterparty were that the contractual destination was a berth designated by the charterers within a named port; and the ship, to qualify as an arrived ship entitled to give notice of readiness, must have reached berth and be ready to discharge.

It was common ground that the charterparty was a berth and not a port charterparty.

Two views had been advanced with regard to the meaning of "whether in berth or not" in a berth charterparty.

One view, put forward by the charterers and accepted by Mr Justice Webster, was that it covered cases where no berth was available, but did not cover cases where a berth was available and the ship could not proceed to it because of bad weather such as fog.

The other view, put forward by the owners and accepted by the arbitrator and the Court of Appeal, was that the phrase covered cases where a ship was unable to proceed to a berth either because none was available or because, though one was available, it was prevented by bad weather such as fog from proceeding to it.

The authorities presented two aspects as to the meaning of "whether in berth or not", one positive and one negative. The positive aspect was that in the authorities "whether in berth or not", when used in a berth charterparty, had uniformly over a long period been interpreted as relating to the availability or unavailability of a berth. In other words the phrase had been interpreted as dealing with the problem of congestion in ports, and putting the risk of congestion delay on charterers.

The negative aspect of the authorities was that "whether in berth or not" had been used in berth charterparties at least since 1909, yet counsel for the owners was unable to point to a case in which it had been contended that the phrase covered a situation where a berth was available but the ship was prevented by bad weather from proceeding to it.

The inference drawn from those two aspects of the authorities, one positive and one negative, was that "whether in berth or not" had, over a very long period, been treated as shorthand for "whether in berth (a berth being available) or not in berth (a berth not being available)".

There were two significant features about the context in which "wibon" was to be found in the charterparty.

The first was that, if the introduction of "wibon" in the typed addition had been intended to modify or replace the printed lines "time lost in waiting for berth to count as discharging time", one would have expected them to be deleted. They were not deleted.

The second was the close association of "wibon" in the typed addition with the other acronyms, "wipon", "wifpon" and "wccon", which all seemed to be directed at the problem of congestion in port rather than bad weather.

LORD JUSTICE LLOYD held that "whether in berth or not" enabled a valid notice of readiness to be given once the vessel had arrived in port, though the reason she was prevented from proceeding was not unavailability of a berth but bad weather.

He supported his conclusion by reference to the absence of any words of qualification in "whether in berth or not"; the traditional view of the effect of the phrase; and the importance of certainty in relation to a commercial contract.

First, as to the absence of words of qualification, it was accepted that "in berth or not" did not indicate it was related to availability or unavailability of a berth. However, it was not possible when interpreting a phrase which had been regularly included in berth charterparties over a long period, to disregard long-established authority as to its intended purpose. The authorities showed that since 1912 at least it had been recognised that the purpose of the phrase was to deal with the problem of a ship chartered under a berth charterparty arriving at port of destination and finding no berth available for her. There was no reported case where it had been suggested that the phrase was intended to deal with the problem of a ship prevented by bad weather from proceeding to berth.

Second, as to the traditional view of the effect of the phrase, Lord Justice Lloyd said that had always been that the phrase became operative to enable a valid notice of readiness to be given as soon as the vessel arrived in port, provided the other conditions of valid notice were satisfied.

That generalisation could not be accepted as correct. In cases where no berth was available that had been the traditional view; but where a berth was available but was unreachable by reason of bad weather, no traditional view had been established, because the question had never arisen in court.

Third, as to the need for certainty, it was accepted that certainty of interpretation was a most desirable characteristic of any contract, especially a commercial contract containing expressions commonly in use. However, a decision that "whether in berth or not" only took effect when a berth was not available did not provide any less certainty than a decision that it took effect when a berth was available but was unreachable by reason of bad weather.

Having regard to the authorities and the context in which "wibon" was to be found in the present charterparty, "whether in berth or not" should be interpreted as applying only to cases where a berth was available but was unreachable by reason of bad weather.

The appeal was allowed. Their Lordships agreed.

For the shipowners: Martin Moore-Bick QC and Charles Priday (Middleton Potts & Co)

For the charterers: Anthony Diamond QC and Bernard Eder (Holman Fenwick & Willan)

Rachel Davies
Barrister

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CONTRACTS

Office devlopment on South Bank

NORWEST HOLST CONSTRUCTION has been awarded a £21m contract by Regalian Properties following completion of the developer's *Horseshoe Court building on* London's Bankside, shortly to be the new home of the Financial Times.

Called Red Lion Court, the new development will provide 150,00 sq.ft. of office space on five and eight stories on a site adjacent to Southwark Bridge.

The design calls for deep basement construction and, because of the River Thames nearby, groundworks will include extensive sheet piling and bored piled foundations.

The 19-month contract is for shell and core construction only, allowing for fitting-out by the eventual occupier. The finished structure will have brick/stone and curtain wall elevations.

Preliminary works for the reinforced concrete frame building started last month.

Ottershaw hospital development

HIGGS AND HILL SOUTHERN has been awarded a £6.8m contract to construct a ward block at St Peter's Hospital, Ottershaw, Surrey, by the South West Thames Regional Health Authority, as part of the hospital's redevelopment programme.

The building will have a reinforced concrete frame on mass concrete foundations. External walls will be of facing blockwork. The pitched roof will have structural steel trusses and fibre cement roofing slates.

The block will create eight wards, accommodating 212 beds split between surgical and medical patients. It is being built to the latest Department of Health design standards, called Nucleus, which should make it easier both to expand the hospital at a later date, and also to link together the phases of redevelopment as each is completed.

Architect and consulting engineer for the services is the South West Thames Regional Health Authority. Consulting engineer for the structure is Alan Marshall and Partners and quantity surveyor is J B Marks and Partners. Higgs and Hill Southern is main contractor.

£11m orders for Osborne

Southern based construction group, GEOFFREY OSBORNE, has won contracts worth more than £11m.

A £5.5m building contract, for London & Metropolitan, is *for three office units at Watchmoor Business Park*, Camberley. The units will give a total of 74,000 sq ft of office space.

The buildings will have over-hanging pitched slate roofs and cantilevered first floors clad in dark brick, white curtain walling and tinted glass. The main entrances will feature classical pediments and columns. Each building stands in its own landscaped site. Osborne's external works include roads and car parking.

At British Caledonian's flight training centre at Crawley, *Osborne is undertaking a* £925,000 contract to construct flight simulator pads and a two-storey accommodation block.

A £673,000 refurbishment scheme for William Mercer Frasier has started at Thames Side House, Windsor. The 20-week contract is to refurbish an eight-storey office building.

Osborne's civil engineering company is carrying out a *£4.4m road contract for East* Sussex County Council. This 91-week contract is for 2.3 km of single carriageway on the A22.

At Merton, Osborne is carrying out a £1.9m contract for management contractor, Bovis Construction, to construct roads and car parks for a new Savacentre.

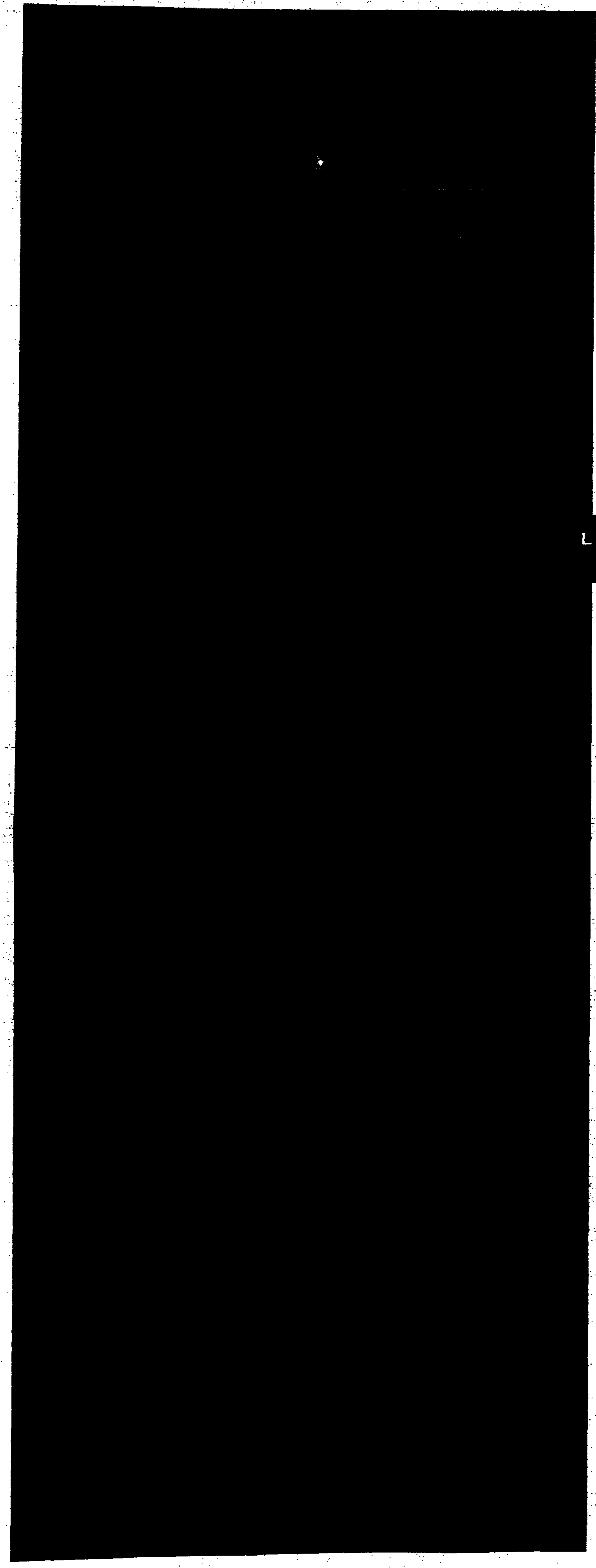
Norwich project

Contracts valued at around £11.5m have been awarded to WILLMOTT DIXON companies. The largest, worth about £6m, has gone to Bush Gould of Nor*wich, for refurbishing* and altering buildings at Colgate, Norwich, to form office accommodation, and building an underground car park for St. George's House Investments.

Bush Gould *has also been* engaged to construct an industrial unit at Whiffler Road, Norwich, for European Land Investments in a contract worth in the region of £672,000.

Two contracts have been awarded to Willmott Dixon Construction. They are a £775,000 contract to build an extension to Churchgate Manor Hotel at Old Harlow, Essex, and the other, worth £541,000, is for internal office refurbishment at International Computers in Stevenage.

Willmott Dixon Housing is working on a £1.7m contract to build 35 homes for Aylesbury Vale District Council and Willmott Dixon Design and Build has been awarded a £1.8m contract to design and construct an office complex in Colchester for the Churchmanor Property Co.



Initially at least, the explosive device in question usually presents itself rather more innocently.

As a letter, in fact.

Its contents, however, can still prove totally devastating.

Because the letter we're talking about is one which tells you a customer is either in receivership, in liquidation or in very serious trouble.

Last year, over 18,000 customers told their suppliers they couldn't pay their debts.

Sometimes the effect of this was so catastrophic it even destroyed the company receiving the letter.

(Thus creating a very unpleasant snowball effect.)

In some five thousand cases, however, the situation was easily defused.

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To even the largest of companies, in fact, our services have become recognised as sensible, prudent precautions that any well managed company should consider.

For some companies, of course, they may prove rather more than just sensible.

They could prove life-saving.

TRADE INDEMNITY

For further information on our services, please call 01-739 9939.

MANAGEMENT: Small Business

A close shave

Five years ago a small electronics company in the north-west of England nearly collapsed because it chose the wrong business structure. Ian Hamilton Fazey explains how good advice paved the way to its recovery

Kevin and Lynda Shave: his first mistake was to set up as a one-man limited company — Mike Arron

Microman Computers has moved just a few hundred yards into the Rainford, St Helens, countryside from the small industrial estate where the company was when it was featured on this page in November 1984. But in trading terms it could have been a million miles, and certainly a million pounds.

The company rose through the £1m sales barrier in August and turnover is heading for £1.25m by the year-end on November 31. It employs nine people and is desperate to find more with the right skills or potential.

And all this from a business that only five years ago was called Shave Electronics and on the brink of foundering.

Kevin Shave, the technical expert behind it, made a fundamental error over corporate structure when he started up. Because he was designing robots, he set up as a one-man limited company in case one of his designs went wrong and he was sued.

This put him into a tax and national insurance trap – he had to make about 50 per cent above his wages each month in order to meet his PAYE obligations, even though his income was uncertain and irregular.

When he started dipping into his savings to meet living expenses, his bank (Barclays) advised him to seek help. Shave's local enterprise agency, the Community of St Helens Trust, put him in touch with the Government's Small Firms Service (SFS).

What he should have done was to set up as a sole trader and take out professional indemnity and public liability insurance. Then he would have paid less than £15 a month in self-employed national insurance contributions and paid his income tax 18 months in arrears after deducting business expenses.

However, the SFS advice was not to do this at that stage; analysis of the business's strengths and weaknesses had revealed that his talents might work best in something he had started doing as a sideline in order to make ends meet – selling and servicing Acorn's BBC B microcomputers.

The analysis also revealed another strength in the person of Lynda, his wife, who was an architectural photographer. She gave up her profession to run the administration. They re-established the business as a partnership and renamed it Microman Computers.

With the microcomputer boom just getting going and the BBC B becoming standard equipment in schools, the business soon became busy and turned over £202,000 in its first year. In 1984-85 this rose to £511,000 and went to £677,600 in 1985-86 and £927,000 last year.

It looks like a smooth progression, but it has been a struggle. These are some of the lessons the Shaves have learnt along the way:

● **Spread your risks.**

Microman's market is segmented in several ways.

The first breakdown is by customer type. One third of its customers are small businesses, one third computer enthusiasts, and one third schools, colleges and local authority education departments.

Risks are also spread by products sold. The Shaves decided to offer sales and support services for IBM-compatibles for small businesses to complement their Acorn dealership. The support services have proved very important in securing repeat business, often from people who bought their original equipment from places like Dixons, the UK chain.

The Shaves say that the secret is not to compete with high street multiples on product price but on value-added services which they cannot afford to offer. Lynda Shave helps small businesses and their accountants install accounting packages. This brings in more business through word of mouth.

It was this philosophy which helped when Acorn ran into trouble in 1985. Microman did not merely sell BBC Bs, but serviced them and offered software development support. Whatever was going to happen to Acorn, there were – and are – thousands of Beebs in schools and colleges, all needing service.

In the event, Acorn was rescued by Olivetti, and Microman now sells and services the improved BBC machines as well as the new Archimedes range.

The latest product is packaged software for computer-aided design. Microman has become an agency for Autocad, which designs packaged software for small businesses.

The remaining segmentation is between types of account – cash/retail, which accounts for about a third of business, mail order and account customers. Managing this mix makes for a balanced cash flow.

● **Set up good management accounts and use them for control.**

Microman did not computerise its own accounts until it outgrew a manual system in 1985 but once it did, control of the rapidly growing business became relatively easy.

However, it was crucial that the manual system was right in principle before computerisation. Lynda Shave says that many busy businesses come to them to buy accounts software which they think will sort out a jumbled mess of invoices and bank statements. They are advised to let a professional accountant get the base right before buying anything.

A good software package, used properly, constantly updates both the profit and loss and the capital account, so that the Shaves, for example, always know what is happening to the net worth of their business because their balance sheet tells them.

It was £42,000 in 1986, £101,000 in 1987 and a rising £146,000 as the November year-end approaches. It was fairly near zero in its first year. Accountants say that for the private business this is a better indicator of progress than turnover growth because it represents retained wealth, the real fruit of labour.

This sort of control, Kevin Shave says, impresses bank managers, who become remarkably flexible on overdrafts for, say, stock purchasing when they know managers are in full command of their business.

● **Nurture your staff.**

The Shaves have got nowhere advertising for technically qualified people for sales and support services. The only ready-made recruit has been an experienced person from St Helens who wanted to return after a spell working in the south-east.

The third member of the management team has been with them from the outset, but most staff have been recruited and trained via the Government's youth training scheme or variations on it.

With the exception of two duds, this has produced a flexible group of enthusiasts. A bonus scheme wins them points for keenness, appearance, attendance, and the way they deal with customers. The points influence the way a bonus pool – made up of 10 per cent of that year's profit – is divided up every November.

Pay rises are decided in April; there are, in effect, two opportunities a year for staff to learn how they are doing and how they can do better.

● **Make sure the authorities know who you are and then use all sources of help.**

The Shaves moved their business into a disused farm, bought the farmhouse as their home, converted the barn for their showroom and offices and turned the farmyard into a customers' car park.

Planning permission could have been difficult but the Government's relaxation two years ago of the rules about light industry in the green belt was timely. The Council for Small Industries in Rural Areas (Cosira) supported the planning application, as did St Helens industrial development department.

The Department of Trade and Industry then chipped in the job grants of £3,000 for each of the three new jobs created by the expansion.

● **Plan strategically.**

Think about where the business is going and the quality of the financial performance. The Shaves are thinking about converting the former pig-sties into a training centre to teach small business customers how to network their computers.

However, they are hesitating. They see a dilemma between growth and consolidation. Getting bigger may mean taking on more administrative staff and a consequent delegation of authority; but they want to keep this to themselves so as to feel fully in control of their own lives. There is a vast difference between this and achieving your goals through other people.

Should they concentrate on developing better profitability instead, with no deliberate push for more sales? They believe it is the growth in net worth that counts.

In brief...

■ According to the Chartered Institute of Management Accountants, at least two out of every three small businesses believe that the statutory audit of private companies should be scrapped.

The institute says that the chief reason for this view, according to a survey it has carried out, is the saving in audit costs that would result. The survey showed that most companies pay about £10,000 for their audit and fewer than one in ten of those surveyed paid less than £4,000.

The preferred alternative to an audit, according to the survey, is a certificate declaring that accounts had been prepared according to company law, and signed by the accountant who had prepared them. Strongest support for this came from managing directors.

Sixty nine per cent of companies with less than 50 employees were in favour of certification.

However, only a quarter thought the Inland Revenue would be satisfied with certified accounts. Almost a half felt the revenue would object strongly to accounts carrying a certificate of compliance. And even those fully in favour of a certificate were doubtful whether the revenue would accept such a proposal.

CIMA, 63 Portland Place, London W1N 4AB. Tel: 01-637 2311.

■ The fourth "Profit in Store" exhibition is to take place on December 5. The London Enterprise Agency has joined forces with the Export Buying Offices Association (EXBO) to run the event, which will be hosted by British Petroleum at its London headquarters, Britannic House.

Small businesses producing consumer goods will have the chance to show their product to over 100 buyers representing stores worldwide. Michael Gutteridge, chairman of EXBO, says: "We have successfully started doing business with over 55 per cent of all the firms who were at the last exhibition in June and hope to confirm a few more orders in the next few months."

The closing date for applications for places is October 31. The cost per stand is £50.

Details from LEntA, 4 Snow Hill, London EC1A 2BS. Tel: 01-236 3000.

■ The North London-based Manor Gardens Enterprise Centre is to provide a low-cost marketing consultancy service. Its move is in line with similar initiatives by other local enterprise agencies (LEAs) and is in accordance with guidelines set down by Business in the Community, the umbrella organisation for the agencies.

The aim is to fill a need for more specialist assistance but at a price small firms can afford. Manor Gardens has found that many firms are not in the position even to pay the subsidised rates for consultancy under the Department of Trade and Industry's Enterprise Consultancy Initiative.

The basics of the Manor Gardens initiative are: core costs to the client based on an hourly charge of £25; a proposal based on a free initial "audit"; and proposals to be made only to clients which can demonstrate inability to afford normal commercial consultancy rates. Consultants used will be professionally qualified and with prior experience in the relevant discipline and able to work within the fee constraints.

Details from Patrick Quarry, Manor Gardens Enterprise Centre, 10-18 Manor Gardens, London N7. Tel: 01-272 8944.

■ The rapid development of "concept" retailing in the UK has prompted 3i, the development and venture capital group, to establish a fund specifically for retailers. The fund will be open ended.

A number of firms in which 3i has invested have launched a new concept on a local basis, and have met with immediate success. But 3i realised that in order to capitalise on the idea while the market gap remains they then need "very substantial cash resources". It is for this reason that the fund has been set up, according to Paul Waller, the 3i director responsible.

A focal point for educators

A formal association is being formed to bring together an informal network of institutions and organisations involved in the field of small and medium sized business education, training and research. Under the title of the UK Enterprise Management and Research Association, the organisation will aim to provide a focal point for all those which its title suggests.

With what it describes as "pump-priming" support from the Department of Employment Small Firms Division and Shell UK, the association will seek, among other aims, to establish links with policy makers, associations, the professions and others providing small business support.

The informal group, which first met in the mid-1970s, has been behind such initiatives as the National Small Firms Management Teachers Programme, now ten years old, and the Small Firms Policy Research Programme. It was also behind the Register of UK Researchers and Teachers in Small Business which is published in collaboration with the UK Small Business Research Trust.

Educational institutions have considerably expanded their involvement in small business education and training in the 1980s and it has been this which has prompted the move to create the association. It is planned, though, to offer membership to all who see themselves acting in a similar educational and training capacity, such as large companies, banks and enterprise agencies. The association will also seek to link up with the newly-formed European Council for Small Business.

The setting of detailed objectives and articles of association will be discussed at a conference in Cardiff next month and it is expected that a constitution will be approved by early in the New Year.

Professor Allan Gibb, of Durham University Business School, is head of the steering group for the research conference and is heading the promotion of the creation of the association. Other members of the steering group are drawn from a wide range of institutions and are well known for their work in the field of small business education.

Further information from Durham University Business School, Mill Hill Lane, Durham DH1 3LB.

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and enclose a brief statement of their business experience, current trading activities and financial standing

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Further information from Box H3973, Financial Times, 10 Cannon Street, London EC4P 4BY

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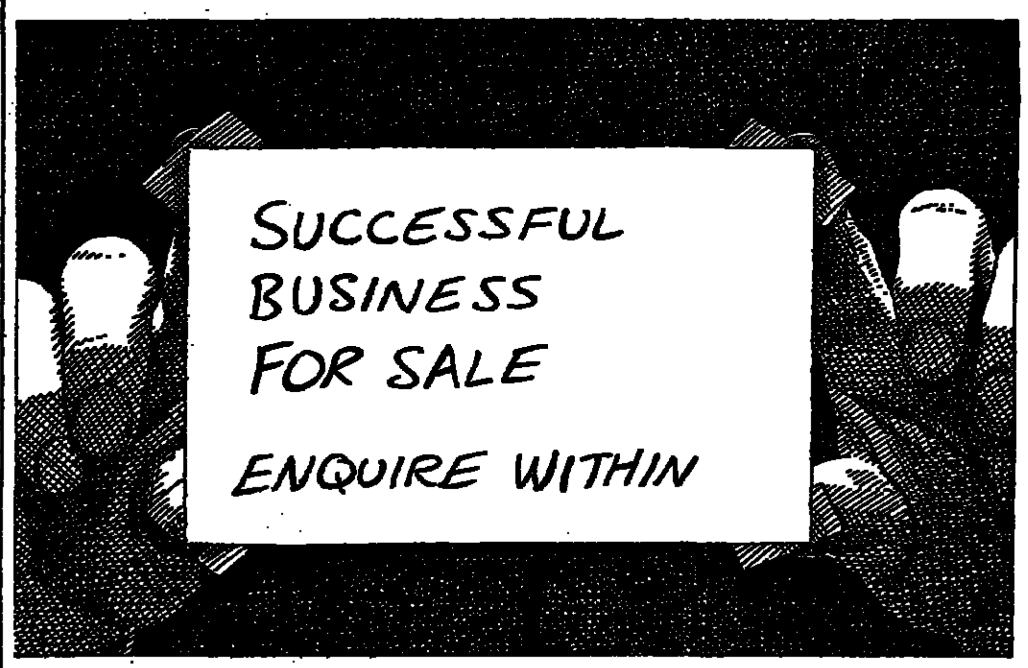

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Surreal images from a winsome Wonderland

William Packer views an impressive retrospective of the artist Paula Rego

The Family by Paula Rego

A retrospective exhibition at a major public gallery is a distinction much coveted by artists, for it suggests, as much to themselves as to any wider public, an arrival at last at a certain critical standing or reputation. However, it does not always work out quite like that. Beggars cannot be choosers, and timing is everything. Large or small, done on a shoe-string or with no expense spared, it makes no difference. If the show comes too soon, or too late – even if it only by a little – the world has moved on.

Thus the great trick is to get the timing right. To walk into a gallery to discover the work singing quietly to itself on the walls and to sense a visual excitement in the air almost before one has begun to look, is to know that the trick has been pulled off. *Just such a treat is currently to* be had at the Serpentine Gallery (Kensington Gardens, London W2, until November 20), which is now filled with a selection of paintings made by Paula Rego over the past 30 years.

The show is not large and rather than any full chronology concentrates on three particular periods or bursts of activity, leaving the gaps to fill themselves by implication. A much fuller retrospective was in fact organised by the Gulbenkian Foundation in Lisbon, where it was shown earlier this year. Miss Rego is herself Portuguese, born in Lisbon in 1935, but she came to London in the early 1950s to study at the Slade. There she met her husband, the painter Victor Willing, who died this year, and though the couple returned to live in Portugal for several years, they began in 1963 to divide their time between London and Portugal, settling permanently in London in 1976.

Though Victor Willing was first to establish a major reputation in Britain after their return, Miss Rego too, who had been showing regularly in Portugal for many years, was soon noticed, albeit at the time in more limited and often specifically feminist a context. But she *was always too singular an artist to* tuck neatly away. Evidently and admirably she continued to develop in her own way at her own speed, and if this show proves anything, it is the mistake in ever taking the context as everything.

Rather more to the point, her work of the late 1970s and early 1980s, powerful as it was in itself and germane to what else was being done at the time, is the essential transition that, despite all the superficial differences in approach and subject matter, draws both the earliest and the latest work together into a coherent whole. Through it we may look back to the surreal, abstracted expressionism of the oil studies and collages, as to the latest ambiguous figure compositions, and find the same touch on the surface, and the same imagination at work. As always, *plus ça change* . . . yet the sensibility will always remain the same.

'The world is that childhood world of fairy tales or Alice's Wonderland'

In the earlier work, that of the early and the mid 1960s, amorphous, vaguely organic images on the very brink of figuration swarm threateningly together in an indeterminate but none the less credible physical space. The mood, though more violent and sinister, is of the earliest of Miro's abstractions, or of fantasies, perhaps, of malignant visitors from other worlds. The handling is energetic and formally inventive, the surfaces dense and rich.

Then comes a considerable jump that, missing the 1970s altogether, brings us to 1981. The shift into figuration is by then complete, but the setting remains for a while as indeterminate as ever, with the figures still entirely the creatures of fantasy. We find ourselves in a dream world in which a bizarre cartoon menagerie of anthropomorphic beasts and monsters sets about itself in ways at once both funny and alarming. But by degrees the space resolves itself into something specific and domestic, invested by figures that for all the mannerism and emphasis in their description, are all too recognisably human.

By 1985, with the "Girl, Dog" sequence, the more energetically outlandish inventions have given *way to the cast of characters by* which Miss Rego has finally established her mature and substantial reputation. Little girls solicitously attend their pets – or do they? They whisper and plot together, and doze and laze through the long, oppressive, pre-pubescent afternoons. What are they dreaming of? What are they up to? We shudder to think.

The surreal imaginings are now all internal, oblique, perverse, undescribed. We are moving into the imaginative territory occupied in modern painting only by Balthus. The world is that childhood world of fairy tales or Alice's Wonderland, lived entirely in the imagination, peopled with looming adults and remote terrors and delights. "At Estoril," Miss Rego recalls, "I was first aware of the outdoors, something outside the house, and I was absolutely terrified. My mother said I was afraid of the flies. I was afraid of everything. I couldn't bear to be put outside and I was afraid of children. Oh God, it was awful. *It was* just terror, terror."

But the children grow older, the maids attend their charges, the policeman's daughter polishes her father's boot with a more than dutiful attention. The young man has his hair dressed before his departure, the cadet his laces tied by his kneeling older sister. All are serious, self-possessed and silent, save, perhaps, for the occasional subject of their ministrations.

At some 7 by 5 ft the latest paintings, even by modern standards, are large enough, yet, like most of those in the exhibition, they are worked on paper in acrylic paint. The combination, which is so direct of application and quick to dry, certainly allows for the graphic simplicity and speed with which Miss Rego carries through the statement of her ideas and images. But its appropriateness is more than purely practical, for the very character it gives to touch and surface is flat, impassive and comparatively uninflected, which thus imparts a most curious quality of imaginative desiccation and wry detachment. The cat stretches and claws the wall. Do those flies still buzz in the corner of the room? It is the dryness of these paintings, in every sense, that sets the nerves so deliciously and disturbingly on edge.

Wexford Festival

THEATRE ROYAL, WEXFORD

With a slow but deliberate policy of expansion the Wexford Festival has started to build upon its successes of recent years. A few extra rows of seats were added to the back of the Theatre Royal a while back, though at 600 seats or less the theatre must remain one of the most homely festival venues in the world, and from next year the theatre plans a further increase in attendence by adding three more performances to the festival's schedule.

For the year-upon-year Wexford regulars, however, who seem to comprise a large percentage of the audiences, the good news is that the atmosphere in the town seems immune to change. Where else, at an international musical centre, can one come across what looks to be a thriving business announcing itself as the "Bar/Undertaker"? Or ask for the local taxi firm, as I did, and find that the directions lead to the corner sweetshop?

Nowhere but Wexford, indeed. Yet this is the town which draws music-loving audiences from far afield and has them dress up for its festival in a fashion that neither Bayreuth, nor even Salzburg, can now rival. Unlike many music festivals, Wexford suffers *no self-doubt as to why it* is in existence. The festival fare remains operas on the fringes of the repertory and the chance to catch pieces that one is unlikely to find performed to professional standards anywhere else is a unique reward.

This year the programme began with Dvořák and the main surprise is that the composer has not featured at Wexford before. With the reluctance of most opera-houses to get to grips with Czech operas because of the language difficulties, anything from this source is prime Wexford material. Now that they have made a generally rewarding start with Dvořák's *The Devil and Kate*, let us hope that the festival administration has been encouraged to explore further.

This opera is mature Dvořák, though by no means another *Rusalka*. The basis for the plot is a simple folk-tale about Kate, an overweight young frump who is the butt of a lot of unkind jokes from the other young people in her village and who ends up being carted off to the underworld, where she succeeds in making life hell for the Devil instead. There is a number of morals that could be drawn from the story and it is *a shame that Dvořák mostly* ignores them.

'Unlike many festivals, Wexford suffers no self-doubt as to why it is in existence'

Nevertheless, the score is full of attractive music, some folksy, some drawing on the deeper lyrical instincts that inform the best music of the composer's later years, and the piece is well worth an occasional staging. Any attempts to impose on it a radical or meaningful style of operatic production would almost certainly be to no avail and the Wexford team of Francesca Zambello (producer) and Neil Peter Jampolis (designer) wisely preferred a more traditional course.

Indeed, it is a long time since I have followed so many of a composer's original stage directions in a production of the work itself. Only at the end, when Kate found herself left alone and unloved despite all her material gains, was any gloss added to the story and that seemed to me a wholly justifiable one. It was also movingly carried off by Anne-Marie Owens, whose ungainly and painfully self-conscious Kate was a marvel of dramatic perception.

Among the other singers Joseph Evans made an affectingly jejeune shepherd-boy, *Jirka, and Peter Lightfoot an* amiable devil, Marbuel. In this intimate little theatre a lot of the singing sounded too loud, as did the orchestra, but I would hesitate to put the blame for that on the conductor Albert Rosen, whose reading of the score was otherwise a model of idiomatic Czech musicianship, always knowing when to tease the rhythms and make the themes sing.

* * *

A pleasing, if modest success. But the Wexford regulars really make the pilgrimage to the festival for something else: namely 19th century Italian bel canto, and the rarer the better. The breakfast-table talk this year was of Mercadante, never before staged in Wexford, and in particular of *Elisa e Claudio*, an *opera semiseria* that was the seventh of his 60 operas (as listed in Grove's) and may presumably be taken as representative of his best early style.

Anne-Marie Owens and Peter Lightfoot in *The Devil and Kate* at the Wexford Festival

As in so many pieces of this genre, the plot is a mess, with too many characters and not nearly enough motivation to go round. That does not, however, spell failure for the piece, as there are other composers of the Italian tradition who, Midas-like, could have touched it and seen it turn to gold. But Mercadante gives little sign of wanting to communicate anything about life or human feelings in his music, as Bellini or Verdi would have been determined to do.

The result, to my mind, is a vacuous piece of dramatic nonsense and my sympathy goes out to David Fielding, the well-known designer who was on this occasion also making his debut as a producer, for having to make a go of it. The show that he has produced (which may be seen in London at the Elizabeth Hall on November 3) is strong on visual images and at least makes a fair stab at the comedy, even if the result is rather "school of Hytner" without the keen perceptive edge.

What tipped the balance against the evening as a whole was the standard of the singing. Lena Nordin, for all her technical competence, was too shallow of voice for Elisa and the principal asset of Janos Bandi's Claudio is his *forte*, which is required neither by the theatre, nor by the bel canto style. Bruno de Simone delivered his comic part with some verbal point; but the best singing came from the Carlotta of Alice Baker, who alone scored a plus vocally. Fortunately Marco Guidarini led a well-paced performance in the pit.

Richard Fairman

Alfred Brendel

BARBICAN HALL

Alfred Brendel is playing all the Beethoven piano concertos with the London Symphony Orchestra at Barbican Hall, and alongside them all the *Leonora* overtures and the first symphony. It is an effective crowd-puller, and a surfeit of Beethoven for someone like myself who cannot get rid of a certain antipathy towards the composer and finds him always too dramatically definitive, or definitively dramatic (Mozart works by poignant surprise).

The second of the three concerts, on Saturday, was conducted not by Lawrence Foster, as planned, but the young Dane, Michael Schonwandt, whose combination of winsome appearance and eager authority was satisfactory. He gave us a cogent and beautiful account of the *Leonora No. 2*, in which the off-stage trumpet calls were particularly well done. Listening to this piece makes familiarity with Beethoven's sketchbooks all the more vivid: one is able to hear concrete alternatives to compositional ideas which were finally realised in *Leonora No. 3*, and thus the theory of music coincides with music itself.

Brendel's performance of the first concerto was fastidious, forceful and elegant. His opening movement was absolutely deft; the big Beethoven cadenza he chose built up a terrific head of steam – a suitable metaphor, since a cadenza could be defined as the releasing of a musical valve. His Largo was diaphanous and richly pedalled, his Rondo vibrant.

The fourth concerto found Brendel in even more perspicacious and profound mood. Deliciously bright, bell-like clarity was the key-note of the Allegro moderato, though the pianist remained patently alert to the large-scale structural demands of the music and had a decisive sudden strength at his disposal for dramatic moments. There was much virtuosity on display, as for instance in the final flurries of this movement or everywhere in the drolly and magnificently played finale. The dialogue between piano and strings which is the interludial slow movement was superbly projected. Brendel's interpretation of the "Emperor" concerto can be heard next Sunday at 7.30pm.

Paul Driver

Maurizio Pollini

FESTIVAL HALL

Maurizio Pollini's Saturday recital came under the South Bank's "Reluctant Revolutionary" umbrella, by virtue of including Schoenberg's *opus* 11 pieces, the first atonal set for solo piano. He played them with superlative clarity, as he always does – the first two with less expressionist *angst* than they invite, perhaps, but *the seemingly chaotic third* with high flair. Before them came two of the late Brahms sets, opp. 117 and 118, where Pollini's lucid, introverted delicacy exposed the close family resemblances between *Brahms's diction and Schoenberg's.*

The main work was the "Hammerklavier" Sonata of Beethoven. Pollini's impetuous plunge into the opening Allegro took us by surprise but the *impetus carried straight* through the movement, triumphantly bold and swift. In the Adagio Beethoven's "molto sentimento" was less evident than his beautiful construction, which Pollini modelled *with sure hands before switch*ing into overdrive for an astonishing final fugue – almost demon-driven, but just as rigorously shaped.

* * *

Since the unfortunate explosion of the Fitzwilliam Quartet, two of its fragments – the violinist Daniel Zisman and the cellist Ioan Davies – have joined Alain Planès to form the Debussy Piano Trio. (As a matter of fact there *is* an early piano trio by Debussy, which *they will introduce to Britain* next summer.)

The "sheer enjoyment and unity of approach to music" which reportedly inspired them to make a team were not conspicuous on Friday, when *they played Haydn, Shostakov*ich and Mendelssohn in the Wigmore Hall.

All the slow movements were inclined to plod, at tempi held doggedly a notch below par; and though their fast *music was generally brighter*, the piano domineered over the strings throughout, not by force of imagination but by sheer volume. The best ensembles are said to be made in heaven, but this one was made in Switzerland, and *it* needs some careful adjustment still.

David Murray

Macbeth

GLOUCESTER

Orchard Theatre's *Macbeth*, a joint production with the Plymouth Theatre, is full of interesting points. Nigel Bryant has given it attention-grabbing direction, with some novel visual effects. It is played in a circular area some 20 feet across that fits comfortably on the small stage of the New Olympus Theatre. It is furnished with a low circular table and three benches, put to various uses that they answer tellingly. A cross looks down on the scene, significant of the director's emphasis on religion – the Scots cross themselves relentlessly and the witches are actively anti-Christian.

As full a text is used as may be played by a company of ten. Hecate appears, sinister under ram's horns, although we do not have Middleton's songs. Armed men with banners cross the stage before we see the witches. This is in line with Bryant's determination that nothing must be left only to the imagination. If there is a war on, we shall see it.

Similar, but not all so extravagant, touches occur all the evening. As Malcolm is inviting his earls to Scone above a severed head that made the girls giggle, a Puritan figure crossing the stage momentarily removes his big hat. It is Banquo. After the loyal Scots have left the stage empty, there is an un-Shakespearean entry by the witches. They, after all, brought up the Birnam phenomenon and the untimely birth of Macduff – they have a right to gloat.

As all but three of the players have the words "and others" in the *dramatis personae*, I must not be too crucial about the acting, which is all decently spoken. Michael Jenner's Macbeth is endlessly belligerent, no less after the years that fall between acts 3 and 4. He follows his visionary dagger all round the stage. Lady Macbeth (Pat Rossiter) is as tough as he – she is very angry indeed when Macbeth suggests pulling out of the plot and she runs on at the double for the sleepwalk. Banquo (David Bateson) *is* properly dignified and his blood-soaked ghost quietly indignant.

Graham Colclough's Duncan is transformed as the Porter, more political than comic – he is Fleance too, and Macduff's eldest son, his lines killed when he is. The witches perhaps overdo their supernatural parlance but able designer Liz Ascroft has dressed them terrifyingly. (Too bad they can't take a curtain call – they are there as "others.") *Their cauldron is* covered with a cloth bearing what looks like an Israeli hexagram but that troubling liver goes into the soup just the same.

The story comes across clearly and excitingly and *is* always good to look at, even if you may secretly disagree with what's happening. This is small-scale Shakespeare as it ought to be.

B.A. Young

Royal Opera House unveils £100,000 drive for new works

The Royal Opera House yesterday gave its support to a *scheme to encourage* new modern opera composers as part of its policy of broadening its appeal to a wider public.

The scheme – called the Garden Venture – is seeking to raise over £100,000 to finance six new 20-minute chamber operas to be given their premier next May at the London International Opera Festival. A seventh and longer new work, composed by Edward Lambert, will also be premiered.

"*We want to give a shot in* the arm to a new generation of opera composers," said Jeremy Isaacs, general director of the ROH, yesterday at the scheme's launch.

Garden Venture's aim is to *make available the resources* of the ROH to composers with experience in vocal writing but who have not written opera before.

An opera "laboratory" is also being set up under the ROH's auspices and in collaboration with a number of composers "to explore the craft of opera writing through discussion, workshops, and associated activities."

The Arts Council has already donated £6,000 towards the new operas but the organisers are hoping to raise the rest of the money by appealing to 1,000 readers of *The Independent* newspaper to sponsor the project with donations of £100 each.

Wilf Judd, a staff producer with the Royal Opera and the Venure's artistic *director, said* yesterday that the composers were already working on their pieces, to be staged with four singers and six to eight instrumentalists. "I'd love to think that somewhere out of this there could come another Mozart," he said.

The composers are: Kenneth Chalmers; Michael Christie; Priti Paintal; Jeremy Peyton Jones; Andrew Poppy; Peter Wiegold, and Edward Lambert.

David Churchill

ARTS GUIDE

October 21-27

OPERA AND BALLET

London

Royal Opera. Celebrated Welsh National Opera production of Falstaff by Peter Stein. Richard Armstrong conducts, Donald Maxwell takes the title role, and the cast also includes Suzanne Murphy, David Malis, and Cynthia Buchan. Covent Garden. (Mon, Thur) (240 1066)

English National Opera. David Alden's surrealist production of Simon Boccanegra, which caused fierce controversy when first shown, returns with the same conductor, Mark Elder, in charge, but a cast of new principals – Malcolm Donnelly, John Tomlinson, Janice Cairns, and Edmund Barham. Also in repertory: the new production of La Traviata, one of David Pountney's unidiomatic, hectoring incursions into 19th century opera, relieved by *Helen Field's* very English but touching heroine, and The Barber of Seville, an unfunny Jonathan Miller production similarly aided by Della Jones's *sparkling* Rosina. Coliseum. (836 7666)

Royal Ballet shows a new triple bill, with the creation of David Bintley's Trial of Prometheus (Thur, further performances Tue, Wed). Other works in the bill are Bintley's Still Life at the Penguin Cafe and Ashton's Rhapsody. Covent Garden.

Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).

Paris

Opéra. Raymonda, a three act ballet choreographed and produced by *Rudolf Nureyev* and inspired by the Marius Petipa version. (47425371)

Théâtre des Champs Elysées. American Ballet Theatre, with Mikhail Baryschnikov as artistic director and Leonide Massin'e choreography (47203637).

Théâtre de la Ville. Mathildre Monnier dancing in Je ne vois pas la Femme Cachée, a tale choreographed by her to baroque music; followed by Martha Clarke, a disciple of Martha Graham, in Vienna Lusthaus, a fresco capturing Vienna's *fin de siècle* contradictions (42742277).

Cecilia Gasdia, soprano, Marcello Guerrini, piano. Mozart, Donizetti, Verdi, Rossini. Theatre de L'athenee. (Mon) (47426727)

Vienna

State Opera. In repertory: Il Trovatore, conducted by Pinchas Steinberg, with Gabriele Lechner, Stefania Tocyzka and Giuliano Ciannella. Maria Stuarda conducted by Ion Marin with Agnes Baltsa, Maria Zampieri and Anna Gonda. Carmen conducted by Claudio Abbado. Gross Fuge von Beethoven/Liebeslieder Walzer by Brahms. Simon Boccanegra conducted by Claudio Abbado with Gabriele Lechner, Anna Gonda and Giuseppe Taddei. (51444. ext. 2660).

Volksoper. In repertory: Die Fledermaus conducted by Konrad Leitner. Gasparone conducted by Rudolf Bibl. Der Mantel conducted by Diefried Bernet. Die verkaufte Braut conducted by Rudolf Bibl. Cosi fan Tutte conducted by Bruno Weil. Hoffmanns Erzählungen conducted by Bernet. Die Zirkusprinzessin conducted by Fabrizio Ventura (51444, ext 2662).

Berlin

Deutsche Oper. Lucia Di Lammermoor has Angela Denning in the title role, Vasile Moldoveanu (Edgardo) and George Fortune (Enrico) and is conducted by Stefan Soltesz. Performances of Wagner's Siegfried and Die Walküre produced by Götz Friedrich are sung by Anne Evans, William Pell, Eva Johnsson, Reiner Goldberg and conducted by Heinrich Hollreiser. Die Zauberflöte rounds off the week.

Hamburg

Staatsoper. Don Pasquale is well sung by Hellen Kwon, Paolo Montarsolo and Kurt Streit. Faust's Verdammnis has a star cast led by Dolores Ziegler, Keith *Lewis*, Franz Grundheber and Harald Stamm. La Traviata convinces thanks to Julia Varady, brilliant in the title role.

Cologne

Opera. Turandot is respectable with Olivia Stapp in the title role, Hubert Möhler (Altoum), Dieter Schweikert (Timur) and Juan Lloveras (Kalaf). Rigoletto returns with Wassili Janulako. Der Italienerin in Algier brings together John Del Carlo, Darla Brooks and Tone Kruse.

Bonn

Opera. Semiramide in Luigi Pizzi's production stars Cheryl *Studer, Kathleen Kuhlmann*, Jean-Philippe Lafont and Guiseppe Morino. Der Knussknacker had its premiere this week; it is choreographed by Youri Vamos and stars Marc Wenke, Massino Acri, Joyce Cuoco, Gyorgy Szakaly, and Anna Vita *in the solo parts.*

Stuttgart

Staatsoper. Einstein on the Beach by Philip Glass and producer Achim Freyer is an opera with a strong combination of *pictures and music. The rarely* played opretta Der Karottenkonig has Elke Estinbaum, Urszula Kosszut, Ruth-Margret Putz, Jorn-W. Wilsing and Herold Krause in the main parts. Tannhäuser closes the week.

Frankfurt

Opera. Der Wildschütz with Julie Kaufmann, Ilse Gramatzki and William Workman. Rigoletto, the first new production of the season is produced by Jean-Claude Auvray and is sung by Anne Dawson, John Rawnsley, Franco Farina and Manfred Schenk. Dido und Aeneas has a strong cast led by Glenys Linos, Valentin Jar, Ulrike Sonntag, Marianne Rorholm and Graham Pushee. Also William Forsythe's Impressing the Czar. Württemberg Chamber Orchestra and Mstislaw Rostropovitch (cello), conducted by Jorg Faerber. Haydn, Mozart and Respighi. Alte Oper (Fri).

BBC Philharmonic Orchestra and Dmitry Sitkovetsky (violin), conducted by Edward Downes. Mozart, Prokofiev and Tchaikovsky. Alte Oper (Thurs).

New York

Metropolitan Opera (Opera House, Lincoln Center). James Levine conducts the premiere of Otto Schenk's production of Götterdämmerung, with Hildegard Behrens, Christa Ludwig and Matti Salminen. The week *also includes Il Trovatore* with Eva Marton and Giulio Cesare (362 6000).

New York City Opera (State Theatre, Lincoln Center). The week includes La Bohème, Attila, Il Barbiere di Sivigila and Mefistofele (496 0600).

Pinchas Zukerman, violin recital, with Marc Neikrug (piano). Brahms programme. Carnegie Hall (Tue) (247 7800).

New York Philharmonic conducted by Andrew Davis, with Mitsuko Uchida (piano). Beethoven, Strauss (Tue); conducted *by Raymond Leppard with Ida* Haendel (violin). Handel, Dvorak, Britten (Thur). Avery Fisher Hall, Lincoln Center (799 9595).

Chicago

Lyric Opera (Civic Opera House). William Johns sings Tannhäuser and Nadine Secunde is Elisabeth in Peter Sellars's new provocative production conducted by Ferdinand Leitner. Anna Tomowa Sintow sings Violetta with Neil Rosenshein as Alfredo in Giulio Chazalettes's production of La Traviata, conducted by Bruno Bartoletti (332 2244).

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The case for child benefit

MR JOHN MOORE, the British Social Security Secretary, has long been an advocate of "targeted" welfare benefits. The news that he is likely to acquiesce, for the second year in succession, in a cut in the real value of child benefit hardly comes as a surprise. The Government, however, would be unwise to attempt to alter the balance between universal, *national insurance and means*-tested benefits without first seeking a popular mandate for reform.

In its 1987 election manifesto, the Conservative Party promised that "child benefit will continue to be paid as now, and direct to the mother". It is pure humbug to interpret this as a commitment only to maintain the cash value of the benefit. A benefit is not the same benefit if inflation has meanwhile significantly eroded its purchasing power. If the Government wants to cut child benefit, it should argue openly and explicitly for such a change in policy, not allow *inflation to do its* work by stealth.

Opposition

Much of the opposition to child benefit in right-wing policy circles reflects a misunderstanding of what it is meant to achieve. It is said to be poorly targeted because it is received by rich as well as poor mothers. Yet it was a replacement for child tax allowances. Nobody argues that personal tax allowances are poorly targeted because both high and low earners receive them. Ministers claim credit each year for raising the *real* value of tax allowances. Why are they so keen to discriminate against children?

The discrimination against children is particularly odd given the Thatcher Government's desire to promote the family. The 1985 green paper on social security defended child benefit, arguing that "families with children at all income levels should receive some recognition for the additional costs of bringing up children" and made the case for "some general redistribution of resources from those without children to those who have the responsibility of caring for them".

The apparent desire to phase out child benefit looks even less rational in the light of demographic trends. The birth rate has fallen sharply in recent decades, not least because many more women are working outside the home. The population is now barely replacing itself and may shrink in absolute terms in the 21st century. The financing of pensions has become a prime source of concern. In such circumstances, one would expect the *Government to be proposing* additional reliefs for families with children, not attacking the only element of the tax and benefit system that recognises the burden of child-rearing.

Looking more narrowly at the needs of the social security system, the case for retaining child benefit is equally strong. Mr Moore wants to strengthen work incentives and reduce people's sense of dependency. Why does he think that an extension of means-tested benefits such as family credit will achieve either objective? A means-tested or "targeted" benefit must, by definition, be withdrawn as income rises. The tapers are usually severe with each extra pound of wages resulting in a 70-80p reduction in benefit. Targeting inevitably penalises individual effort and will tend to institutionalise an underclass.

Phased out

If child benefit were phased out, an additional 1m children would become dependent on means-tested benefits. The result would be a significant increase in hardship and dependency. The take up rate for means-tested benefits is always low: roughly 40 per cent of families eligible for family credit do not claim it. Ignorance is not the only reason. Many poor families would rather struggle than rely on charity. Child benefit, by contrast, has a 100 per cent take up rate; it is the only benefit that reaches some poor children. Mothers do not feel stigmatised in claiming a benefit that the middle classes also enjoy.

The most spurious argument *for cutting child benefit* is that the savings could be spent on the very poorest. If ministers wanted to find more cash for the poor, they could very easily do so by cutting other less rational items of public expenditure or by taking an axe to the more egregious tax expenditures.

Obstacles to Korean unity

FOR AS LONG as Korea has been divided, leaders on both sides of the border have held out reunification as a key political objective. But because unity means something quite different to each side, nothing has ever come of the idea – though it remains the most emotional issue among the populations of both north and south.

Both governments made speeches to the United Nations last week which underlined their respective interpretations. President Roh Tae Woo of South Korea called for a summit in Pyongyang and a "springtime for peace and reconciliation," a theme he *repeated in a private meeting* with President Reagan. The responding address by North Korea's deputy foreign minister, Kang Sok Ju, reiterated the demand that all US troops must be removed from South *Korea, together with their* nuclear weapons, all anti-Communist laws must be repealed before a summit and reunification of the country must take place along confederal lines, with North and South sharing power equally and retaining their present social systems.

Major powers

Reunification is, however, not a matter which Koreans will be left to decide for themselves. It cannot occur unless four major powers – the US, the Soviet Union, China and Japan – each deem it simultaneously to be in their own best interests. Mr Roh acknowledged as much in his speech when he proposed discussions between those four countries and the two Koreas to lay the groundwork for "peace, prosperity and security in north east Asia", a phrase carefully borrowed from Mr Mikhail Gorbachev. Mr Kang ignored the proposal.

Relations between the two Koreas never rise above the lukewarm before one or the other does or says something to lower the temperature again. Nevertheless, President Roh's offer is the first by a South Korean leader to visit *President Kim Il-sung in Pyongyang* without preconditions. Historic though such a visit would undoubtedly be – and it could yet take place – it would more likely result in sporting, *cultural and educational* exchanges and some family reunions rather than in the reunification of the peninsula, divided pragmatically in 1945 and bloodily by the war of 1950-53.

Reunification is not simply a question of making one nation out of the 40m South Koreans and 20m North Koreans; nor of doubling the north's per capita GDP from around $1200 to the South's $2,500; nor of selling South Korea's superb automobiles to the bone-shaken North Koreans; nor of combining the *North's low but troublesome* foreign debt with the South's very large but manageable obligations.

It is ultimately a question of regional power balance. While all major powers pay lip service to the desire to defuse East Asia's "flashpoint" the fact is that none of them has any real interest in promoting reunification. South Korea provides the US with a valuable, if expensive and locally unpopular, bastion against communism in Asia. A united Korea under the hegemony of *Pyongyang could destabilise* Japan and tilt the regional balance of influence against both the US and Japan. Conversely, any idea that the US might risk war to ensure domination by the South is fanciful, not least because of the events which led to today's "unified" Vietnam.

Leverage

The usefulness of a unified Korea to China and the Soviet Union, each of which *has* a border with the North, may also be questioned. It has been *hard enough* for Peking and Moscow, which are suspicious of each other's intentions towards the peninsula, to exert leverage over Kim Il-sung. A united nation, even under Northern control, might be a more difficult beast to manage. In any case both would like closer economic ties to the dynamic South, but *not at any* price.

FOREIGN AFFAIRS

Electing the free world's leader

By Edward Mortimer in Washington

Two weeks from today the longest and most gruelling electoral process in the world will at last reach its climax, or anti-climax. The citizens of the power which is still responsible for just over one-fifth of all measurable economic activity in the world, and for a similar proportion of world military expenditure, will go to the polls to choose a new president.

For four years the man they choose will be described, at least in countries allied to the US, as "the leader of the free world"; and even far beyond those countries, thousands, if not millions, of people will hang on his decisions, believing that he holds their fate in his hands. But those who are called upon to choose him will be only dimly aware of this.

They will be concerned, in some degree, with the risk that he might either by some ill-judged and over-*hasty reaction involve them in a sui*cidal war with the Soviet Union, or through weakness run down their defences and leave them vulnerable to attack. Some of them may have a vague apprehension that, by trying to limit foreign imports or foreign investment, *he will damage American* prosperity and expose American trade to retaliation. A small but significant number will be on the watch for any hint that he might reduce American support for Israel. But the great majority of those who vote will do so without reflecting, even for a moment, how their choice may affect the interests and opinions of foreigners; and of those entitled to do so, roughly half will not bother to vote at all.

Neither candidate has committed himself to specific answers to the dilemmas he will face if elected

Even of those who will vote, few outside the circle of active campaigners admit to feeling any enthusiasm about it. The visiting foreigner finds himself constantly invited to concur in his host's depression and disgust at the triviality of the campaign and the *uninspiring nature of the choice.*

Neither candidate, one is repeatedly told, has committed himself to specific answers to the dilemmas he will inevitably face if elected, because both prefer to avoid commitments which would frighten away more voters than they would attract.

Both are committed in principle to a resolute attack on the federal budget deficit, currently running at $150bn annually, as economists with virtual unanimity warn them they must do; both claim to believe they can do this without raising taxes; yet neither has listed spending cuts which would add up to anything like the saving required, while both have made proposals which involve significant added expenditure. The result is that neither will be able to claim a clear mandate for the economic package he eventually proposes – with the probable result that it will be hacked to pieces by congressmen defending their own pet projects or special interest groups.

Since most of the world is affected in one way or other by decisions of the US Government, most of the world should by now be aware that the *"leader of the free world" does not* in fact control that government in the way that most other leaders, including elected ones, usually control theirs. The President proposes what Congress disposes.

It is now all but certain that for the next two years, as for the last two, a Republican president will confront a Democratic majority in both houses. But even if that is not so it will make little difference. Senators and congressmen seldom divide on strict party lines and even a popular president like Ronald Reagan makes only a marginal difference to his party's chances in congressional elections. Legislators make up their own minds on each issue, swayed either by individual prejudices (politely known as conscience), or by the interests of identifiable and articulate groups among their constituents, or by the views of a well-endowed lobby that may decide to contribute either to their or to their opponents' election expenses.

So much the world perhaps by now understands. But surely not many people outside the US Government realise how tentacular and paralysing is the congressional grip even on what one might suppose to be minor decisions of a purely executive nature. Not only cabinet members and Supreme Court justices but, for instance, every single US ambassador has to be confirmed by *the Senate.*

True, it is rare for a nominee to such a post to be actually rejected, but the scope for procedural delay is almost infinite and fully exploited. Senators, even of sharply differing political views, do not like to disoblige one another, since each has individual hobby horses and pork barrel projects for which it will sooner or later be necessary to crave the other's indulgence. So it only requires one member of the relevant committee to decide to make things difficult, and a given appointment or legislative provision can be blocked more or less indefinitely.

Such is the secret of the extraordinary awe in which the Republican Senator Jesse Helms of North Carolina is held. Being on the extreme fringe of the minority party, he would in any other parliament be regarded as a colourful backbencher comparable to, say, Mr Dennis Skinner or the Rev Ian Paisley in British politics. Instead he is one of the most feared as well as hated men in Washington and feared even more by the Republican administration than by his Democratic opponents.

In a particularly flagrant case last year the President's nominee for Ambassador to Portugal, Mr Richard Viets – widely regarded as one of the US's ablest career diplomats, but suspected by Mr Helms *of being in* some sense a "liberal" – was kept dangling before the Foreign Relations Committee for over a year while Mr Helms's highly-paid and highly-skilled staff dredged through his personal file, his tax records, and any other source they could lay hands on. Eventually the absence of an ambassador in Lisbon became an aggravating circumstance in a dispute *with Portugal over* the amount of US aid, potentially jeopardising the highly-valued US air base in the Azores. Rather than cause the Administration further embarrassment Mr Viets withdrew his name and resigned from the foreign service.

A former ambassador to Jordan, he is now advising King *Hussein.* One more *scalp on Mr Helms's belt and* one more talented American public servant lost to the service of his own country.

Even the strictly legislative powers of Congress are *flagrantly* and routinely abused to circumvent the President's power of veto and oblige him to spend taxpayers' money on programmes he disapproves of. This is done by *tacking together quite* unrelated items in omnibus or "package" bills, so that if the President vetoes the item he objects to he also automatically kills some other item which he is known to favour. Last week for instance a package including, among other things, proposed sanctions on Iraq for using chemical weapons, also included an appropriation for Worldnet TV broadcasts to Europe by the US Information Agency whose director Charles Z. Wick is a close friend of *President Reagan. Few members of* Congress really believed the broadcasts a justifiable use of taxpayers' money: the only object of including the item was to render it part of a veto-proof package.

Both Presidential candidates would like to put an end to this nonsense by obtaining from Congress what is *known as the "line-item veto"* – that is, the right to veto one or more items in a bill without striking down the whole package. Since they have actually said they want this (though not very loudly) during the campaign, this is one measure for which either of them could in theory claim a mandate. Indeed some lawyers believe that the President already has such a *right* and *suggest he should test this* in the courts by simply doing it and then ordering officials to implement only those provisions of a given act that he has individually approved.

But such bold scenarios are greeted with a pitying shake of the head when one repeats them to knowledgeable staff members on Capitol Hill. No one imagines that either President Bush or the now highly improbable President Dukakis will choose to embark on a battle royal with Congress at the *outset of his administration,* still less that he will have the prestige and authority it would take to extract such a concession from Congress by consent. "If they wouldn't give it to Ronald Reagan, they certainly won't to George Bush," is a typical comment.

Only by working with Congress rather than against it will the new President have a chance of governing effectively. Paradoxically this may be a reason for preferring the Republican Bush and his team – old Washington hands familiar with Congress and for the most part well *liked* there – to the Democrat Dukakis whose experience is confined to Massachusetts and who would *be bound* to bring in a whole lot of new and unfamiliar faces. Certainly a Dukakis administration would require a longer running-in period while his men learned the ropes – probably the main reason why Mr Bush would get the vote of several allied governments, for whom discontinuity between US administrations has been a severe irritant.

Such a discontinuity might be worth living with if Mr Dukakis promised a really creative change in US foreign policy. But he does so only in Latin America, and even there it is arguable that Mr James Baker, if as everyone expects he becomes Mr Bush's Secretary of State, would be better placed to convince the bankers that a solution to the debt problem more radical than *the plan which* bears his name is now an absolute necessity. Elsewhere Mr Dukakis's foreign policy "surrogates" (academics known to have influenced his thinking but not official spokesmen for his campaign) are if anything more reluctant than Mr Bush's to criticise the Reagan record.

Many who knew George Bush in earlier incarnations say they find the strident right wing tone of his campaign hard to reconcile with the man they remember. And some who are close to him now claim, in private, that he is still much less "ideological" than Reagan as well as harder working and a better "team player". If so, perhaps it is just as well that he has avoided more specific commitments in his campaign, apparently getting away with the remarkable statement *10 days ago that "I am focusing on* November 8, and I don't want to be dragged beyond that because things seem to be going well now."

Some who are close to Bush claim he is a harder worker and better team player than Reagan

Were it not for the ineffable Dan Quayle, who thinks Gorbachev is no different ideologically from "Brezhnev or anybody else", one might perhaps persuade oneself that the Bush ticket is at least unlikely to spring any nasty surprises. But as for the hard decisions the next four years will actually require, and above all the inspiring leadership that will be needed to get them accepted by the American people and by America's allies and trading partners – that, it seems, is something the American political system is unable to deliver.

OBSERVER

Power of law and order

■ Intellectuals tend to look down on law and order as a political issue, yet it almost never fails to strike a popular chord. Indeed if George Bush wins the US Presidency next month, he may consider sending a letter of thanks to Willie Horton.

Horton is a convicted first-degree murderer who was let out of prison on a weekend pass – known in the US as a furlough – from a Massachusetts prison in April 1987. He went to Maryland, broke into *a house, stabbed the man and* raped his wife.

Bush took up Horton's furlough as a campaign issue, casting Michael Dukakis as a liberal who is soft on criminals and has no sympathy for *their victims.* The Bush campaign used the Horton story almost daily in speeches and TV advertising. Many political analysts say that it has been the Republicans' most effective law and order plank.

The Dukakis campaign has now hit back by pointing out that Horton is black and accusing the Republicans of trying to exploit race to win votes, but it may be a bit late for *that. The fact is that violent* crime and drugs are a key issue throughout the US.

The electorate does not believe that Dukakis comes out well. He is the Governor of a state which ranks as the most liberal in the Union and the joke in Texas is that Willie Horton is a lot better known that Michael Dukakis.

The big loser is the furlough programme, which is aimed at preparing criminals for their eventual return to the community. Apart from the Federal Prison system, 46 states run such weekend release programmes and 200,000 prisoners benefitted from them last year; 33 states permit lifers to go on furlough.

It is true that Massachusetts offered the only furlough programme in the US to convicted first-degree murderers like Horton. It is also true that Dukakis only banned the programme when anti-furlough citizens groups gathered 57,000 signatures in a near year-long campaign to force him to do so. But it is also true that in Massachusetts, unlike other *states, all first degree* murderers receive life without parole.

No to Mr Toad

■ Zambia votes tomorrow. Because of the country's still *low literacy rate* – about 40 per cent – each candidate has s symbol which goes along side the name on the ballot paper. Some of the more popular symbols are a pair of glasses, a stool, a fork, a window, and a bicycle. There should be no doubt, however, about the re-election of Kenneth Kaunda *as President.* His symbol is an eagle, Zambia's national bird, and, although he is unopposed, there is still a "no" box for those who do not support him. It features a toad.

Underground

■ The non-Tory opposition to Margaret Thatcher in Britain has come up with a new magazine designed to help mobilise *opinion to get rid of her. It* is called Samizdat, after the underground publications of the Soviet dissidents, and edited by Ben Pimlott, who wrote an outstanding biography of Hugh Dalton.

Actually, the idea is much better than it sounds at first hearing. The thought is that, sooner or later, there will be a change in the intellectual climate and a reaction against everything associated with the present regime. Not even

"I'm in for life and I forgot to ask for Lester Piggott's autograph."

Lord Blake, the historian of the Tory Party, would disagree with that: fashions always change in the end.

So Samizdat aims at bringing the *intellectual dissidents* together in a kind of of popular front for when the time is ripe. *The first edition is a bit trendy:* articles by Margaret Drabble, Lord Young of Dartington (who drafted the Labour Party manifesto in 1945), Eric Hobsbawm (the historian who brought the revisionism into Marxism Today) and Clive Ponting, a one-time dissident in the Ministry of Defence. Pimlott says that he wants to keep such "famous and expensive writers" (who contribute for nothing) and mix them with the more "soberly earnest", including perhaps a few Tories.

Samizdat will appear every two months and will have specialist issues on defence, 1992 and trade union reform. It is available by subscription at £12 a year from 18 Victoria Park Square, London E2. It might do even better if it were *to capitalise on its title and* distribute broadsheets around the universities whenever appropriate. Pimlott is thinking about it.

School sherry

■ Sir Philip de Zulueta, chairman of Tanks Consolidated Investments, is cementing a lifelong friendship with the Gonzalez family in his acceptance of a non-executive directorship of Gonzales, Byass(UK), part of the Spanish sherry group.

Zulueta, private secretary to Prime Ministers Eden, Macmillan and Home, was at the same English school as Don Carlos Gonzales, a director of the main board who has been appointed chairman of the UK operation. He will become one of three non-executive directors to join the British board of the *Tio Pepe* producer: the others are Michael Cottrell, chairman of First Leisure Corporation, and Andrew Joanes, a commercial lawyer who has acted as a consultant to Gonzales, Byass for a number of years.

The Gonzales family bought out the 38 per cent equity stake *held* in Gonzales, Byass by the Byass family in April, thus ending a partnership between the Jerez-based Gonzales family and the English Byass family that went back the early 19th century. The English side of the business had favoured takeover offer by Seagram, the Canadian drinks group; the Spaniards have now achieved their aim of reintroducing a British presence.

Yesterday's man

■ The Canadians can be quite sharp. Ask them what has happened to Ben Johnson and the reply comes: "You mean that Jamaican?"

LETTERS

Policy towards debtor nations needs new thinking

From US Congressman John J. LaFalce.

Sir, Your editorial "The Mexican dilemma" raises the right questions about the US Treasury Department's 11th hour rescue mission on behalf of our southern neighbour. As you suggest: "Far more serious thought is required about a long term programme for resolution (not management) of the debt problem".

Much of the intractability of the debt crisis stems from the manner in which we have chosen to frame the problem. In my opinion, we continue to perceive Mexico's economic difficulties as an on-going series of liquidity shortfalls. What we really have on our hands now is a long-term solvency problem – not just a short-term drop in foreign reserves.

Mexico has made tremendous strides in diversifying its export base away from oil related products. But despite this radical transformation of its external sector, Mexico's trade surplus plunged 59 per cent in the first eight months of this year.

Thus, even with these positive efforts to liberalise and modernise its economy, this debt-burdened country is unable to withstand a substantial drop in oil prices. Coming on the heels of an increase in international interest rates and the devastation caused by Hurricane Gilbert, this decline in oil revenues has proved to be too much for Mexico.

There is something wrong when a patient, who has been dutifully following the doctor's orders, shows up at the medical emergency room in a critical condition. The same holds true for many other heavily indebted, middle-income countries as well.

We must develop a long-term debt strategy which enables these countries to cope with changes in exogenous factors, such as fluctuations in the prices of commodities, interest rates and random natural disasters.

In the absence of new lending, the only way to build these critical "shock absorbers" into a developing economy is to lower the external debt service. This creates some degree of flexibility as to how financial resources are used.

The goal of any debt policy should be to restore debt burdened nations to financial well being. Creditworthiness is the key to accessing international capital markets and a resumption in voluntary commercial bank lending. The US Treasury's approach has only kept these countries with "begging bowl" in hand.

In this regard, the recently enacted Omnibus Trade bill offers the next US Administration an opportunity to explore new options, in addition to current policy. A provision of that bill, which I authored, calls on the Treasury Department to study the feasibility of establishing a multilateral facility to help indebted countries reduce their debt.

As you rightly conclude, Washington should take a hard look at its overall debt policy, rather than continue to respond to the crisis of the hour. We need a long-term strategy based on the notion that debtor economies are insolvent, not just temporarily illiquid, and that these countries should be engaged in programmes which reduce the debt overhang, not increase it.

John J. LaFalce,
Small Business Committee,
US House of Representatives,
Washington, DC 20515,
USA

Turkish Cypriots have reason to doubt Greek Cypriot government

From Mr Tansel Fikri.

Sir, Your article by Adriana Ierodiaconou (October 19) on the Cyprus settlement talks has been skilfully written from the Greek Cypriot point of view. Perhaps you will permit me to comment from the Turkish Cypriot viewpoint.

It is all very well for Mr Vassiliou, the Greek Cypriot leader, to talk of the principles of democratic government and human rights. Turkish Cypriots believe in these principles too, but their experience since 1963 has taught them that there is a big difference between what Greek Cypriots say and what they do.

In 1960 the Greek Cypriots solemnly agreed a new constitution for the island, on the basis of which the Turkish Cypriots agreed to join the new republic, and the British granted independence. However, on January 2 1964 the Daily Telegraph wrote: "The Greek Cypriot community should not assume that the British military presence can or should secure them against Turkish intervention if they persecute the Turkish Cypriots. We must not be a shelter for double crossers."

Last year the Commons Select Committee on Foreign Affairs found that:

"There is little doubt that much of the violence which the Turkish Cypriots claim led to the total or partial destruction of 103 Turkish villages and the displacement of about a quarter of the total Turkish Cypriot population, was either directly inspired by, or certainly connived at by, the Greek Cypriot leadership."

That is why the Turkish Cypriot leader, Rauf Denktas, insists upon safeguards which your reporter airily dismisses as "barriers and special provisions."

Our vision of the future for Cyprus is very similar to Mrs Thatcher's vision for Europe, expressed in her speech at Bruges; that is, a future based on willing and active co-operation between political equals, each with its own customs, traditions and identity.

This will be very difficult to achieve so long as the world unjustly recognises a wholly Greek Cypriot administration as the government of all Cyprus.

Tansel Fikri,
London Representative, Turkish Republic of Northern Cyprus,
28 Cockspur Street, SW1

'Misleading poppycock'

From Mr Brian Small.

Sir, The Guardian Royal Exchange's full-page advertisement (FT, October 18), in referring to the 1987 stock market crash, argues that "in a fortnight, British industry took a battering. Over a quarter of its value was lost."

Charitably, this is misleading and one-sided; truthfully, it is poppycock. British industry did not change one iota, and a real change of such magnitude would be inconceivable.

In practice, industry's capacity to make exports and to generate cash improved dramatically in 1987. It is more competitive all round and needs now to focus on the next challenge: recovering lost share in the world's marketplace.

If the insurance industry were to invest in improving market share, they might avoid losing "over £4bn of their share values" next time.

In answer to GRE's headline question, "1987 was a disastrous year. Wasn't it?" – No.

Brian Small,
Ingersoll Engineers,
Bourton Hall,
Rugby, Warwickshire

Beware of poison pills

From Mr Louis C. Kleber.

Sir, Anatole Kaletsky's article about the Bank of New York's takeover of Irving Bank ("The side-effects of Irving Bank's poison pill," October 12) turned a spotlight on the "poison pill" aspect of takeovers.

I would like to add to the list one of the most significant of all such pills in the US: commitments to retiree benefits, often already in place. They can be an enormous financial expense, particularly for the health care portion. E.I. du Pont de Nemours, for example, paid $100m in 1984. By 1987 the sum was $161m. And the courts are holding companies to their commitments.

The real cost of existing and emerging liabilities is not now adequately revealed in financial statements. So the watchword for every potential buyer is "Beware". Do not even make a bid before you know what you are getting into.

Louis C. Kleber,
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USA

Something's got to give

From Mr Robert Garner.

Sir, Ms James Ogilvy-Webb (Letters, October 20) states that he, like the Government (as described by Samuel Brittan, October 10) cannot distinguish between "genuine market forces" and "giving in to commercial pressure".

I absolutely agree that there is no difference – a factor which highlights perhaps the only important failing of a completely free market economy. Commercial considerations alone have no mechanism to include the social and environmental desirability or otherwise of any economic activity. Unchecked, this leads to a situation where the needs of industry and business dictate the human condition and the requirements placed upon the people of the land.

Should it not be the other way round, with a free-minded, well-educated population placing its demands upon industry and commerce? And can anyone tell the difference?

R.J. Garner,
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Sutton, Surrey

EC and Soviet Union countries can develop trade and business

From Ms Inessa Frantseva.

Sir, Quentin Peel (October 18) was unduly pessimistic with regard to relations between the Council for Mutual Economic Assistance (CMEA/Comecon) and the European Community (EC). The legal vacuum in relations between the CMEA and the EC arose when the EC countries adopted a uniform trade policy in the early 1970s, when there were no official relations between the two groupings.

This compelled the CMEA countries to look for accessible forms of satisfying specific trade, political and economic interests. This led to a whole network of technical or sectoral agreements between a number of CMEA countries and the European Commission, which regulated trade in some commodities or production in separate branches.

While granting certain guarantees, modest as they were, for the sale of produce in EC markets, these agreements did not make for intensified bilateral economic ties. The signing of the joint declaration on the establishment of official relations between CMEA and the EC last June finally opened real possibilities.

The interested CMEA countries will be able to establish official relations with the EC and sign bilateral economic agreements. Depending on its specific economic interests, each CMEA country can negotiate with the EC better trade and equitable business ties.

Obviously this does not mean that all the problems of co-operation will at once be resolved, and that EC agreements with all CMEA countries will be signed in the near future. The experience of the CMEA countries over the past few years shows that talks with the EC can be long and difficult. Each CMEA country has specific relations with the EC, which call for individual treatment.

In particular, the experience of Romania, which signed a bilateral agreement on trade in industrial goods with the EC in 1980, shows that an agreement itself does not guarantee the success of a business. Much depends on the development of the export potential and the competitiveness of the export commodities.

The experience of Hungary, which was the first among other socialist countries to embark on economic reform, and which has good export potential, shows that the EC is not in a hurry to give up its discriminating practices against socialist countries, and to open its doors to their exports.

As a member of the General Agreement on Tariffs and Trade (GATT), Hungary has long been in favour of abolishing the EC's discriminating quantitative restriction, which is against GATT rules. And only the economic agreement which Hungary and the EC signed on September 26 in Brussels provides for lifting these restrictions in several stages by the year 1995.

Apart from that, special negotiations will be held within the framework of the joint commission, being set up now, on how to overcome the barriers in the way to Hungary's traditional export of agricultural produce to the EC. According to the same GATT rules, these barriers are not cost discrimination because they are not applied exclusively to the socialist countries.

Simultaneously with the signing of the joint declaration on June 25, 1988, the Soviet Union declared its readiness to establish bilateral official relations with the EC. Soon after that, in July, the Commission of the European Communities was instructed at a session of the EC Council of Ministers to negotiate with the Soviet Union on a large-scale economic agreement. Czechoslovakia, for its own part, shows an interest in an agreement on trade in industrial goods. Thus, bilateral relations are growing within the framework where specific problems can be solved.

Bilateral relations between the CMEA countries and the EC make it possible to define the place each CMEA member state holds in the international division of labour on the European continent. This is of no small importance for the potential possibilities of the entire socialist community.

Inessa Frantseva,
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Mixture of public and private in West German television coverage

From Ms Suzanne Hasselbach.

Sir, Haig Simonian ("Cable channels woo West German viewers," October 18) is probably right not to predict an "explosion of coverage" by private television in West Germany.

It is widely expected that the German TV market will only support a maximum of three full-time commercial channels. For diversity, the Germans will have to rely mainly on public service programmes. Out of the 17 to 19 cable TV offerings, nine are supplied by the public service broadcasters. What is more: nearly 10m TV households are passed by cable, but only about 4m are actually connected.

Although German public broadcasters have been criticised for party political topheaviness, ARD and ZDF are not, as Mr Simonian claims, state-run. The federal constitution demands that broadcasting be kept free from state control. The broadcasting organisations are autonomous public corporations, mainly financed from the licence fee but supplemented by advertising revenues. It is the 11 individual states which legislate not only for the autonomy of the public-service corporations, but also for the rights and duties of the private TV broadcasters.

This federalist broadcasting system, highly regulated and cumbersome as it is in its procedures, nevertheless offers a certain resistence to arbitrary decision-making by the state authorities.

The assertion that "private broadcasting has been consistently opposed" by many SPD-governed German states is out of date. Since 1984 official SPD policy has been to contribute to new media developments: four out of the five SPD-governed states have licensed or are now licensing private commercial TV stations; and the SPD provides arms-length financial support to four private radio stations in Baden-Wurttemberg and Rhineland-Palatinate.

German TV viewers are far from dissatisfied with home-made public-service entertainment. On the contrary, according to a recent survey they are generally dissatisfied with imported US series, the staple entertainment fare of the private TV channels. More importantly, perhaps, a high percentage of viewers appreciate the political information programmes on public TV.

In 1985 a study showed a trend among Germans to spend less free time watching television. It is not by any means clear whether, in the long term, more private TV can stop or reverse this trend. The under-30s, and higher income groups in particular, both of which are important TV advertising targets, appear to watch less but more selectively than other groups.

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Andrew Whitley analyses a vital issue in Israel's election campaign: the performance of the country's collectively-owned enterprises

Decline of a 'bolshevik economy'

A few years ago, Mr Danny Rosolio, secretary-general of The Workers' Company, was musing over what lay behind the ailments beginning to plague a large chunk of the Israeli economy. "When we look at the history of the building of the Zionist society, and later the State of Israel, we see that a young people came to build a country, a homeland and state for the Jewish people, but Jewish capital did not come."

Jewish capital did not come, and it shows little intention of coming in the near future. A country of few natural resources other than its people's own abilities, Israel is clearly destined to remain a capital-short economy. It was in this light that the founding fathers argued: we must mobilise our individual resources and apply them wherever necessary for national development.

Hence The Workers' Company, set up 65 years ago and better known by its Hebrew name Hevrat Ha'Ovdim. It is a co-operative association rather than a limited company. Usually described as the economic arm or holding company of the Histadrut, Israel's labour federation, it is responsible for a full quarter of the country's Gross National Product. It is also the parent company of Koor Industries, the conglomerate brought to its knees over the past three weeks by a bid from Bankers Trust of New York to recover $20m in loans.

If Koor, the largest industrial concern in the Middle East with an annual turnover approaching $3bn, is forced into liquidation, as Bankers Trust says it wants – and, despite an all-out rescue effort, it is still touch-and-go – the economic structure so painfully built over the years by those Jewish pioneers could collapse like a house of cards.

The rest of the edifice is already so worm-eaten, riddled with debt and overmanning, that even before the Koor crisis its survival could not have been taken for granted. The rot set in some years ago at Solel Boneh, once Israel's largest contractor and an internationally known name in the construction industry. It is now a shadow of its former self, slimmed down but with little work or motivation.

Quite separately, the collective agricultural structure responsible for 80 per cent of total farm output – the 300 *kibbutzim* and 400 *moshavim* – has been sinking deeper and deeper into debt. These rural communes form part of the voluntary side of Hevrat Ha'Ovdim, co-operatives in free association with the organisation.

Kupat Holim, the Histadrut-run sick fund to which three quarters of the population belongs, is in such a parlous state – run-down, underfinanced and badly managed – that the much publicised woes of Britain's National Health Service look mild by comparison. Not only is Kupat Holim a sick fund, it is also responsible for the vast bulk of the country's public medical facilities. One of the most effective television broadsides being delivered by the right-wing Likud in the current election campaign depicts the miserable queues of patients in a shabby clinic waiting room so depressingly familiar to Israelis. No more needs to be said about the evils of what Likud derisively calls Labour's "bolshevik economy".

Full-page advertisements have hammered home a similar point. "Look how much Labour plans to take from you if you give it your vote," read one banner headline, going on to list the debts of all the Hevrat Ha'Ovdim companies, from Koor downwards. Another carried an enormous figure eight, representing the 8bn shekels (about $5bn) which Likud claimed the electorate would have to fork-up to cover the losses of "Labour factories".

Labour's rejoinder has been the only effective one it can muster: to remind the electorate that it is the party of *national development*. "How many factories has the Likud built?" read one counter-blast. The rest of the page was filled with blank spaces. "We suffer because our (Labour's) structure is based on responsibility for the entire society, including its periphery," complained Mr Avraham Burg, a campaign organiser. "If the economy is on the edge of a recession and Histadrut enterprises are in difficulties, it's not our fault. There is another address to leave the bill."

True, up to a point. Under the cautious hand of Likud Finance Minister Moshe Nissim, conservative economic policies have been pursued over the past two years, exacerbating the latent problems of *Hevrat Ha'Ovdim*. A combination of the near-freeze of the shekel's exchange rate at a time of 16 per cent annual inflation, a tourniquet on government spending other than on its own payroll, and painfully high bank interest rates has effectively stopped the economy in its tracks.

"We can buy cars from the US, but not a welfare system"

The Histadrut can also, justifiably, claim some credit for having acted responsibly lately towards its own enterprises and the national economy as a whole. It was the trade union leadership's willingness to compel its members – over 80 per cent of the labour force – to accept a swingeing 25 per cent pay cut in mid 1985 which ensured the success of the government's economic recovery programme; it has also gone along with a successive whittling away of the cost-of-living adjustment index.

In the case of Koor, which lost a record $253m in 1987, Hevrat Ha'Ovdim this year endorsed an across-the-board 5 per cent pay cut. It did not interfere when Mr Benjamin Gaon, appointed as Koor's chief executive in April to rescue the company, went about his heretical policy of putting profits before jobs. Despite sometimes violent worker reaction, loss-making factories were closed or put up for sale, the group's workforce trimmed from 30,000 to 27,000. But the Histadrut insisted on extremely generous severance payments and other benefits for those laid off. It knew that to save the patient the surgery had to be drastic; to its leaders, however, the treatment is hard to accept. "What we face is a crisis of values," said Ms Sarah Silberstein, head of the Israeli Association of Social Workers. "We can buy cars from the US, but not a welfare system."

By every yardstick, the Israeli welfare state, the cherished dream of the early pioneers, is in decline. Neglect, Treasury cuts and changing demographics have all taken their toll. So, too, have the changes wrought in the Israeli political system over the decade since Mr Menachem Begin's Likud came to power, breaking Labour's (and thus the Histadrut's) grip on the levers of the state. By preventing the Histadrut from pouring half the proceeds of its wealthy pension funds into its own economic enterprises, diverting those funds into government bonds instead, the Likud struck a heavy blow in 1978 at Labour's economic foundations.

For the Histadrut, the onslaught this year against Kupat Holim, the sick fund, could prove near fatal. It is the key link between the populace at large and the trade union federation; the collapse of Kupat Holim could undermine the rationale for continued Histadrut membership.

Labour's supporters are increasingly middle class and white collar workers. It is the Likud – populist in its economic ideology, rather than the convinced champion of free enterprise its election propaganda has tried to portray – which has inherited the urban working class. Yet, despite the changing socio-economic composition of its supporters, it is Labour which is compelled, out of necessity, to defend what remains of Israeli socialism.

FINANCIAL TIMES
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Bush aides ponder handover

Transition could be trickier than expected, says Stewart Fleming

Many Americans who say they intend to vote for Vice-President George Bush in next month's presidential election justify their choice by saying that what they want is continuity.

If the unspoken assumption behind this preference is that a smooth transition from a Reagan to a Bush presidency is likely to be trouble-free, it is an assumption which does not seem to be shared by many of the people closest to Mr Bush himself.

Last week, Mr Richard Darman, who as Deputy Secretary of the Treasury under Mr James Baker helped to mastermind the devaluation of the dollar and the end of the era of floating exchange rates, lifted the veil on some of the thinking that is going on around Mr Bush about the magnitude of the challenge he faces should he emerge victorious on November 8.

"For the President-elect the challenge will be to instil a new sense of energy and vitality and creativity," he told an audience on Capitol Hill of former graduates of the John F. Kennedy School of Government at Harvard University.

This, he went on, is one of the functions of the historically difficult transition periods between one administration and its successor.

But the transition from a Reagan presidency to a Bush presidency would be "a peculiar transition" quite unlike any other in modern times.

With commendable frankness, he went on to say that such a transition would be "much less naturally the [national] transition ritual of new birth" and more like a "second husband" problem."

Mr Darman made it clear that he was speaking about the transition period – the period between the election of a new president on November 8 and his inauguration on January 20 – not on behalf of the Bush campaign, but as a public servant who has been through this process at either the White House or at Cabinet level no fewer than 12 times.

Mr Reagan, left, and vice-president George Bush: Voters hoping for a continuity that may prove elusive

Should there have been any doubt about the importance of the transition period in the past, this was quickly dispelled by Mr Stu Eisenstat who was the top domestic policy adviser to President Jimmy Carter. He traced the Cuban missile crisis back to decisions in the transition period between Presidents Eisenhower and Kennedy, and argued that the "unravelling" of the Carter presidency could be traced in large part to the decision, made during the transition period, to introduce a big energy bill before the Congress within 90 days of taking office, a time scale which was simply too ambitious.

But to return to Mr Darman and the immediate problem facing the Vice-President, if the polls are right and he becomes President-elect Bush.

As Mr Darman pointed out, he will of course have some distinct advantages. Problems of trust between the "ins" on the way out of government and the "outs" on the way in should be less severe, if only because there will be less ideological tension.

But that is not the end of the story. A new president can expect to appoint up to 6,000 new government officials, many of them at the most senior levels of the government. Most of these jobs are occupied by people who would expect to stay in office if their own party is returned to power.

Mr Bush, however, might not want to keep them all. The transition could thus begin with Mr Bush instantly alienating a lot of Republicans from their own new president.

"These are people who will be alienated in some substantial measure if... they are people who are told that for the sake of change they are on the street," Mr Darman observed.

There is more. Mr Bush will take office with Mr Reagan still around and still extraordinarily popular. The temptation to compare Mr Bush's first 100 days in office and his "honeymoon" period with Mr Reagan's ascent to power in 1980 with a mandate for sweeping change will be almost irresistible.

"It will be a very tough standard that the Vice-President will have to meet," says Mr Darman. When Mr Reagan came into office, the Senate came under Republican control too and a combination of his new mandate and a larger Republican minority in the House of Representatives, coupled with a substantial block of conservative Democrats, allowed him to act swiftly on his budget and tax policies.

Mr Bush, if he is elected, will almost certainly face a Senate and House controlled by a Democratic Party which will be in an ugly mood (indeed it already is), feeling that the slash-and-burn campaign tactics Mr Bush has used against its candidate, Michael Dukakis, deserve to be repaid in kind, especially because Mr Bush has, through his negative campaign, failed to build a mandate for action.

These challenges are not insurmountable. Indeed it is already evident that Mr Bush, recognising them, is planning to move quickly to appoint his top Cabinet officials if he wins on November 8. Mr Baker is hotly tipped for Secretary of State and former Senator John Tower for Defence Secretary, and Mr Darman himself (with rather less certainty) is frequently mentioned as the man likely to be given the hot seat at the Office of Management and Budget if he wants it.

Bush men are already in office at the Treasury (Mr Nicholas Brady), the Justice Department (Mr Richard Thornburgh) and the Education Department (Mr Lauro Cavazos).

"There is a need for fast action . . . and there is probably a need in the period of transition to work on raising the president-elect's popularity, on the theory that it will be falling relatively rapidly, more rapidly than Ronald Reagan's," Mr Darman concluded.

Oil prices slide after Opec talks fail to reach deal

By Steven Butler in London

OIL PRICES fell sharply yesterday in response to the failure of eight oil ministers from the Organisation of Petroleum Exporting Countries (Opec) to agree on a new production-sharing formula at a weekend meeting in Madrid.

North Sea Brent crude was off by $1 a barrel in Tokyo trading, reflecting market disappointment that oil ministers could not agree a formula for bringing Iraq back into the Opec quota system.

This is seen as a key first step towards restraining a recent surge in Opec production, which is estimated at between 21m and 22m barrels a day.

Brent crude cargoes for November delivery fell by $1.08 to close at $12.265 in European trading. On the New York Mercantile Exchange, December futures for West Texas Intermediate crude were off $1.19 cents at $13.265 in midday trading.

Traders said the tone of the oil markets remained bearish, although they were divided about how far prices would fall. Brisk buying interest was said to have emerged on the spot market, where consumers were anxious to buy oil at the lower prices.

Many buyers were caught by surprise when prices surged ahead of the joint meeting in Madrid of Opec's long-term strategy and price evolution committees.

A breakthrough at the meeting had been expected by some observers because of signs that Iran and Iraq were adopting a more conciliatory stance.

Iraq has for two years refused any quota below that of Iran – a demand which has been rejected firmly by Iran and some other Opec members.

Although the Madrid meeting produced no new agreement, it was widely seen as a positive step towards formulating a new production deal.

In the meantime Dr Subroto, the Opec secretary general, said Opec members had agreed not to increase output above current levels.

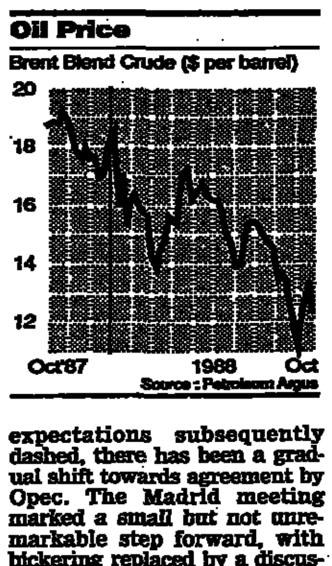
THE LEX COLUMN

A land where cash flow is king

The US bid scene is starting to induce a profound sense of unreality. Last week, offers were on the table valuing Kraft and RJR Nabisco at $11bn and $17bn respectively. Yesterday morning, both stocks jumped by a further 12 per cent. Of the two, the rise in the Kraft price seems the less convincing; management talk of refinancing at $110 a share sounds vague, and it is not easy to make the sums add up. The RJR contest, though, looks *wholly serious. On one side* stand the management and Shearson Lehman; on the other, Kohlberg, Kravis, Roberts – now established as the most acquisitive company in history – and a quite forbidding group of Wall Street investment houses.

The plausibility of the offer for RJR also rests on its cash flow multiple. A striking effect of the onslaught of banking money on US equities is that the market now talks purely in banker's terms; forget asset value and p/e ratios, the only financial statement that matters is the source and application of funds. Whereas the cash flow multiple on earlier food deals like Beatrice and General Foods was in the 8 to 12 range, the deal proposed by Kraft management is closer to 20. But the latest offer for RJR is on a multiple of only 10, because tobacco cash flow comes cheap.

Yesterday's events strengthen the suspicion that the reorganisation of the US consumer industry is being driven not by industrial logic, but by the torrent of loose money. Food, drink and tobacco are being singled out because they share the two key ingredients of steady cash flow – low growth, and stable demand. It is not the recipe for a dynamic economy, nor need it be as safe as it looks. In London, the 10 per cent outperformance of United Biscuits in the past week is not just because its cash flow multiple is only 6.5; it is also because if Nabisco, as number one in the US biscuit market, is out to strangle itself with debt, UB as number two might stand to profit by it.



Oil price

The oil market is in no mood for subtleties at the moment. A month ago it thought Opec had lost its grip entirely, last week it was confidently expecting agreement on quotas from the Madrid meeting, and now all looks black again. But underneath the drama of unrealistic expectations subsequently dashed, there has been a gradual shift towards agreement by Opec. The Madrid meeting marked a *small* but not unremarkable step forward, with bickering replaced by a discussion of genuine proposals. Twelve of the 13 members appear to agree broadly on a way of bringing Iraq within the quota system; and much of Iran's apparent resistance may *be designed to soften the* people back home into compliance at the full meeting in November.

As those who were caught out by yesterday's $1-plus fall in the oil price discovered, it is dangerous to expect too much of Opec. Still, the chances of agreement in a month's time seem better than even, not least because every member is well aware that a fudged extension of the present arrangement that allows everyone to cheat as much as they like would mean oil prices of $10 or less. But while agreement may be more likely than before, this time traders may have relatively little to gain by betting on it. Opec seems to be working towards a more pragmatic solution – with a quota nearer 19m b/d than 17m – which would imply a price well below the defunct $18 benchmark; *and at best, the $15 which* most Opec members regard as tolerable may be feasible for next year as an average. Meanwhile, stocks of oil are unfortunately not as volatile as the sentiment of the market, and whatever is decided in Vienna, the costs of recent overproduction will *almost certainly mean a rough* start to next year.

Lucas Industries

Lucas bought or sold £100m worth of businesses last year in an attempt to improve the balance between its automotive operations and the aerospace and industrial divisions, but the market still seems to lack conviction that the company has changed its spots. Aerospace and industrial sales now account for 38 per cent of sales compared with 26 per cent five years ago, but profit forecasts of £185m for the current year have the shares on a multiple of less than 8 – a figure that would be lower still were it not for a renewed outburst of bid speculation over the last few weeks.

The split of profits illustrates the reasons for concern. Ten years ago, the UK automotive operations were almost Lucas's undoing. Last year, driven on by the boom in car sales, they provided most of the increase at the operating level. There is no doubt that the car market is due for a downturn; the bullish argument says that diversification is there to take up the slack this time, and that within its products for the car market, the high technology and added value content is much increased. But the market is still grumbling that the March rights issue – which will seriously dent growth in earnings per share this year – looks as unnecessary now as it did then.

Telephone Rentals

Cable and Wireless is going to have to pay more for Telephone Rentals. The only question is whether it is going to be a lot more, or whether an extra 30p per share will clinch it. If TR was resting its defence purely on its future growth prospects, then a prospective exit multiple of about 18 times earnings does not look ungenerous, especially given its recent lacklustre record. Admittedly, its interim pre-tax profits would have been up by 25 per cent if the Canadian losses are stripped out; but even though TR's profit growth now seems set to accelerate, its shares would not be commanding such a heady premium to the market if there was not a bid on the table.

TR's real defence rests on the fact that it is the only sizeable independent company of its kind left in the industry. If Mercury is to be a real threat to BT across the whole country – rather than just in a few places like the City – C and W will need TR. It is in its own interests to secure a swift solution; if a rival bidder were to emerge on the stage it would have to pay far more than 350p a share.

PLO in bid to influence Israeli election

By Victor Mallet in London

THE PALESTINE Liberation Organisation yesterday stepped up its efforts to influence the outcome of next month's Israeli general election, calling on Jewish citizens and the minority Arab electorate to use their votes against the right wing.

Mr Khaled al-Hassan, a senior PLO official close to Mr Yassir Arafat, the PLO leader, issued separate appeals to Jewish and Arab voters at a news conference in Tunis and urged them to contribute to Middle East peace. "The Israeli voter has a historic chance to help define the shape of his destiny," said the appeal to Israeli Jews. "Either he elects war or peace."

Although the PLO has tried to influence Israeli polls in the past, this year's attempts have been particularly overt. Mr Arafat met the leaders of Jordan, Egypt and Iraq at the weekend in a diplomatic drive aimed at forging a united Arab stand on peace negotiations.

The meetings were regarded as an attempt to bolster the electoral chances of Mr Shimon Peres, who is Israel's Foreign Minister and leader of the Labour Alignment.

Mr Peres' ministry responded by praising the reconciliation between Mr Arafat and King Hussein of Jordan. A ministry spokesman said the talks seemed to be "an honest, real attempt on Egypt's initiative to promote the option of a Jordanian-Palestinian delegation to future peace negotiations".

Labour's peace proposals, based on the principle of negotiations with Jordanians and Palestinians together, had been undermined by the Jordan-PLO rift.

Mr al-Hassan, however, discounted the idea of joint representation at a peace conference and claimed that the PLO did not favour Labour over Likud, the right-wing party of Mr Yitzhak Shamir, the Prime Minister. "The only difference is that the Likud wants you to drink the poison directly," he said, "and the Labour, they give you the poison mixed with honey."

The parties closest to the PLO were the Progressive List for Peace, a small Arab-Jewish party which favours the establishment of an independent Palestinian state alongside Israel, and the Communist Party, Rakah.

The appeal to Arab voters, who make up some 14 per cent of the Israeli electorate, urged them not to abstain. Such a step, it said, would weaken progressive forces and give comfort to the extreme right.

Some reports say the PLO has meanwhile sent secret instructions to its supporters in the occupied West Bank not to escalate the uprising during the election campaign. The West Bank has been relatively calm in recent days.

● Israeli aircraft yesterday bombed southern Lebanon for the second time in four days, after the army announced that nine Palestinian guerrillas had been captured trying to infiltrate across the border by night.

● The Israeli army yesterday denied its units had in any way acted illegally, following accusations by Palestinians it ran an undercover death squad in the occupied West Bank, Reuter reports from Tel Aviv.

A spokesman said: "In the Israel Defence Forces (IDF) there is not one unit which is authorised to act or operates contrary to the established and recognised firing procedures which are anchored in the law."

Gorbachev firm over W Berlin

Continued from Page 1

agreed on the need for a rapid start to negotiations on conventional arms cuts in Europe. But differing views on the current imbalance were vigorously restated.

Chancellor Kohl also appealed to the Soviet Union to reduce at least part of its superiority in short-range nuclear missiles aimed at the Federal Republic.

Earlier in bilateral talks, Mr Rupert Scholz, the West German Defence Minister, reminded Gen Dmitri Yazov, his Soviet counterpart that the Warsaw Pact had 32,000 more tanks in central Europe than Nato. Gen Yazov insisted that conventional forces overall were in rough balance, if Nato superiority in fighter aircraft and naval forces were taken into account.

However Mr Gorbachev himself underlined the Soviet sense of urgency in getting on with conventional arms cuts - the one area which could result in a substantial reduction in the huge proportion of Soviet resources devoted to defence spending.

West German growth 'will be restrained'

By David Goodhart in Bonn

WEST GERMAN economic growth will be restrained by at least half a percentage point next year because of the planned DM9bn ($5bn) increase in consumer taxes, according to Mr Arthur Krumper, a spokesman for the country's five leading economic research institutes.

Mr Krumper, of the IFO organisation in Munich, was speaking after the publication of the institutes' joint biannual economic analysis. He said: "The zig-zag course of fiscal policy is damaging to the economy and the investment climate."

He was echoing the main criticism of the institutes' report: that fiscal policy is unnecessarily tight and that next year's increase in consumer taxes and the introduction of a withholding tax should be cancelled or at the very least neutralised by bringing forward the next stage of tax reductions planned for 1990.

The institutes argue that due to an increase in the Government's tax take from higher than expected growth this year, higher Bundesbank profits, and the new taxes, the federal budget deficit could be as low as DM15bn in 1989 compared with a current forecast of about DM30bn.

Mr Martin Bangemann, the Economics Minister, and Mr Gerhard Stoltenberg, the Finance Minister, rejected the institutes' tax proposals, and said in a joint statement that the tax increases were required to consolidate confidence in a more soundly-based budget.

In spite of this criticism, the report – from the institutes at Kiel, Hamburg, Essen, Berlin and Munich – follows recent government forecasts in painting a more optimistic picture of growth in 1988 (3.5 per cent) and 1989 (2 per cent).

Several employers' organisations have claimed that the 1989 forecast was now too pessimistic.

The surprisingly sharp 5.5 per cent increase in investment forecast by the institutes for the current year will slacken in 1989, but it is still likely to rise by 3.5 per cent.

Private consumption is expected to increase by 3 per cent this year and 2 per cent next, and both exports and imports are forecast to rise 4 per cent in 1989 after rising 5 per cent and 6.5 per cent respectively this year. Consumer prices are expected to rise by 1.5 per cent this year and by 2.5 per cent in 1989.

However, the institutes see no respite in the slow rise in unemployment. They expect about 100,000 jobs to be created next year but, with 200,000 new job-seekers, that will push unemployment to 2.3m or 9.1 per cent, up from 9 per cent this year.

To help remove structural obstacles to faster growth the institutes suggest the promotion of privatisation by *Länder* (state) and municipal governments and increased flexibility in pay negotiations.

They also call (with the exception of Berlin) for a marked reduction in company taxation. The Government has promised a review of corporate taxation but probably not until after the next election at the end of 1990.

In a newspaper interview, Mr Karl Otto Pöhl, the Bundesbank president, echoed the institutes' criticism of next year's 10 per cent withholding tax on interest income. There were better ways to seek justice in the tax system, he said, and the increased revenue for the Government would be largely offset by higher borrowing costs.

The slight increase in prices next year was no cause for concern and the D-Mark would remain a stable anchor for the EMS.

Food mountains criticised

Continued from Page 1

"traces of frequentation" by animals; and supplies of beef which, contrary to specific instructions in the contract, was being stored next to unwrapped fish.

The most serious criticisms, however, and the area where the main recommendations were made, related to the reliability of the financial data used for submitting reimbursement claims to Brussels, which the Court says are often too generous.

"Only one country can ensure its monthly declara*tions of intervention* expenditure are up to date in relation to physical movement data. In most cases these ...bear only a tenuous relationship to the real level of the underlying expenditure."

A Court official added: "Broadly speaking we don't think a lot of money is being wasted in the long run. It is just that the whole system is a shambles."

Among the member states' procedures studied in the report, West Germany and the Netherlands came out relatively well, while Italy received the largest number of dishon*ourable mentions.*

WORLD WEATHER

Battle for Nabisco

Continued from Page 1

worth more than $100bn this year, though this figure includes the two RJR offers.

Kohlberg Kravis has in the past worked closely with company managements. But in an aggressive departure from its usual practice, the firm said yesterday it would launch its tender offer this week rather than wait for management's say-so.

The Kohlberg Kravis camp yesterday said that Mr Kravis had first discussed a buy-out with Mr Johnson at a dinner in New York a year ago. It was not clear why Mr Johnson chose to work on the management's own deal with Shearson Lehman, a company with relatively little experience with leveraged buy-outs.

RJR stock, which was trading in the mid-$50s before the management offer last Thursday, soared a further $9 to $85¾ in early trading yesterday. This is well short of the Kohlberg Kravis offer. Arbitrageurs or professional takeover speculators explained yesterday that the transaction was already so large and risky that the market is unwilling to speculate on higher offers.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 25 1988

INSIDE

Golden year ahead for Western Mining

Western Mining, Australia's biggest mining group, took advantage of a golden opportunity when it recently acquired four mining companies in North America for A$500m (US$411m). The group is now on course to produce about 1m troy ounces of gold in the current financial year, more than double the 441,000 oz achieved in the 12 months to last June; between 160,000 oz and 200,000 oz of the total will come from its new acquisitions. Page 31

Turkish farming at crossroads

Turgut Ozal (left), Turkish Prime Minister, is preoccupied with a growing crisis in the domestic economy, which is heavily dependent on agriculture. Membership of the European Community would greatly affect Turkey, where 60 per cent of the agricultural holdings are less than two acres. Moslem-inspired laws on property inheritance are partly to blame for the fragmented state of Turkish farming. David Richardson looks at some of the challenges that lie ahead. Page 48

Putting together the pieces of Japan's financial jigsaw

Money market reforms announced by the Bank of Japan last week, aimed at reinforcing the central bank's control over interest rates, could eventually lead to the development of fully-fledged short-term money markets, one of the most significant missing pieces in the jigsaw of Japanese financial deregulation. Page 33

Asko grows at a capital rate

Asko, fast-expanding discount retailer, has grown from a regional co-operative into one of Germany's biggest stores groups in less than a decade. According to Helmut Wagner, Asko's ebullient chief executive, shareholders have got a lot more company for their money. But they have also had to pay for it. The ambitious German company has just announced its third call on shareholders in as many years. Haig Simonian looks at how Asko has distributed the capital. Page 30

Tracking Tokyo in London

Like the servants of royalty, the ISE/Nikkei 50 index follows its master a few discreet steps behind. This index of 50 blue chip Japanese equities traded in London and Tokyo has had teething problems in its first four months of life — such as an inexplicable opening discrepancy of 3 points regardless of market conditions — but it has highlighted the importance of London as the prime market for Japanese equities traded outside Japan. Page 52

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bayer Vereins.	378	+	8
Falls			
Schering	549	−	14
Volkswagen	300	−	5
Siemens	477.2	−	5.8
NEW YORK ($)			
Rises			
Chicago Pacific	57¼	+	13⅞
Kraft	102½	+	10½
RJR Nabisco	85¼	+	8½
W. Point-Pepp.	49⅜	+	4⅛
Falls			
Atlantic Rich.	82	−	¾
Federal Express	49¼	−	1½
PARIS (FFr)			
Rises			
Strafor	783	+	51
Inst. Merieux	5150	+	290
Soc. Generale	508	+	23
Falls			
Casino ADP	118	−	6
Euromarche	2105	−	65
Printemps	587	−	18
TOKYO (Yen)			
Rises			
Nihon Kentetsu	1380	+	180
Jujiya	904	+	99
Tokyotokeiba	1060	+	108
Falls			
Green Cross	1480	−	130
Hokkaido Gas	881	−	59
Sanin Godo Bnk	1000	−	60

New York prices at 12.30.

LONDON (Pence)			
Rises			
Aurora	126	+	6
Brown & Tawse	190	+	8
Leisure Inv.	101	+	8
Mersey Dock	410	+	24
Metal Closures	210	+	8
RHM	392	+	8
Redfearn	533	+	17
Scot.Met.Prop.	145	+	8½
Suter	242	+	24
Falls			
Bt. Aero.	486	−	10
Cons Gold Flds	£12 7/16	−	3/16
ERF (Hldgs.)	458	−	11
Enterprise Oil	579	−	10
Land Sec.	571	−	11
Lloyds Bank	330	−	8
LASMO	504	−	9
Lonrho	364	−	7
MEPC	560	−	9
Macarthy	235	−	14
Reckitt Colman	944	−	8
Rosehaugh	633	−	9
Royal Ins.	386	−	7
Wassall	234	−	10
Yale & Valor	378	−	7

Maytag in $1bn Chicago Pacific bid

By Robert Vincent in New York

MAYTAG, the leading US home appliance maker, yesterday made an agreed cash and shares takeover bid for Chicago Pacific, the maker of Hoover vacuum cleaners and white goods, worth around $1bn.

The deal, which will create a group with sales of more than $3bn a year, is in line with the trend towards consolidation, at a national and international level, in the home appliance industry.

Maytag, which produces a range of white goods and other household appliances similar to those of Chicago Pacific, said the agreement was a "significant milestone".

It added that the move would help it achieve its long-term strategy of becoming global leader in the major appliance field. Well over half of Hoover's revenues come from abroad so it will prove a key element in the strategy.

The deal involves Maytag making a $60 per share cash offer for about 49 per cent of Chicago Pacific's stock. When the deal is completed Chicago will be merged with Maytag.

Each remaining Chicago Pacific stock will then be converted into Maytag shares through a formula which is designed to provide $60 of Maytag stock for each Chicago Pacific share.

Chicago Pacific said it has granted Maytag an option to buy 25 per cent of its shares for $60 a share.

The news of the merger lifted Chicago Pacific's shares by $13¾ to $57 while Maytag declined by $2¾ to $24. One analyst described $60 as a "very good price".

Chicago Pacific, which was founded in 1984 as a successor to the Chicago, Rock Island and Pacific Railroad, said the agreement was "a good marriage of leading brands".

It added that the merger would offer opportunities for combining technologies, marketing and manufacturing. Its sales in 1987 were $1.1bn.

Hoover has 13 plants in eight countries which produce a wide range of products from washers to microwave ovens. About 65 per cent of its group revenues are generated overseas, including Britain, Continental Europe and Australia.

Earlier this year the group sold its Rowenta subsidiary of West Germany for $170m in cash and the assumption of $85m in debt. This money was used partly to reduce the company's debt.

Maytag has been restructuring its operations since its $750m merger in 1986 with the larger Magic Chef group which produced a range of products from dishwashers to air conditioning units.

The group, which also produces soft drink vending machines, added that its domestic appliance business would be expanded to include Hoover floor care products which is a new market for the group.

Kraft recapitalises to fend off Morris bid

By Anatole Kaletsky in New York

KRAFT, THE largest independent US food company, said yesterday it was developing a big leveraged recapitalisation plan to fend off the $11.4bn bid it received last week from Philip Morris.

In announcing the package, Mr John Richman, Kraft chairman, issued an unusual denunciation of the current financial practices on Wall Street and expressed "deep regret" at "hardships and dislocations" the recapitalisation would cause.

Mr Richman said his plan would give Kraft shareholders a package of cash and securities worth more than $110 a share, compared with the $90 cash offer from Philip Morris.

Although Mr Richman said that details of the plan were still under discussion with Goldman Sachs, the company's investment bankers, he gave the following outline of his proposals:

The company proposes to raise $10bn of new bank and junk bond borrowings in order to distribute most of its present equity to shareholders in a one-time cash payment of $84 a share.

Each shareholder would also receive high-yield debentures with a market value of around $14 apiece.

The shareholders would then retain an equity stake in the company, which would be worth around $12 a share after the recapitalisation, Mr Richman said. Adding the company's current debt to the new junk bond issues and bank borrowings would result in a total debt burden of around $12.4bn.

"Herculean efforts" would be required to service these obligations and make the recapitalisation a success, he added.

Mr Richman implied strongly that he did not personally favour the extreme leveraging of the company.

"We know that our shareholders, employees, suppliers and communities recognise that today's situation is not of our making. Rather it is the product of current era investment policies and financial attitudes that favour short-term financial gratification over steady long-term growth and the need to provide a sound economy for future generations."

He added that the board would consider any alternative offer that might be more valuable to Kraft shareholders.

However, he said that Philip Morris had been told its $90-a-share bid was clearly inadequate and had failed to come back with a higher bid at a "realistic" price.

Lex, Page 26

Daimler-Benz to be split into three divisions

By Haig Simonian in Frankfurt

DAIMLER-BENZ, the West German motor, electronics and aerospace group, is planning to introduce a revised corporate structure to cater for its rapid expansion beyond the traditional cars and trucks business in recent years.

The move, which has been widely expected, involves splitting the group into at least three separate product-orientated subsidiaries. Above them will be Daimler-Benz itself, which will guide and co-ordinate policy, as well as being responsible for "an optimal provision of resources" within the new group structure, it says.

The reason for the restructuring was to strengthen the unity of the company as it evolved into a technology concern, a spokesman said. He gave no details on the timing of the changes or how the responsibilities of different board members might change.

According to plans accepted by leading executives last weekend, but which still have to be approved by Daimler's supervisory board, the group will split into three parts:

● Mercedes-Benz, with responsibility for passenger vehicles and trucks, probably to be headed by Mr Werner Niefer, Daimler-Benz's deputy chief executive.

● AEG, comprising a variety of industrial and office electronic equipment manufacturing activities including automation machinery, transport technology and micro-electronics, as well as communications equipment.

● Deutsche Aerospace, a new name altogether, encompassing some of the aerospace business at present handled by AEG. The division will also include defence technology and Dornier, the aircraft manufacturer.

A decision has yet to be made on how to integrate Motoren und Turbinen Union (MTU) into the new structure, but this will follow "shortly," according to Daimler.

The present restructuring takes no account of the long-discussed acquisition by Daimler of Messerschmitt-Boelkow-Blohm (MBB), the German arms and aerospace group which is a major participant in the European Airbus consortium.

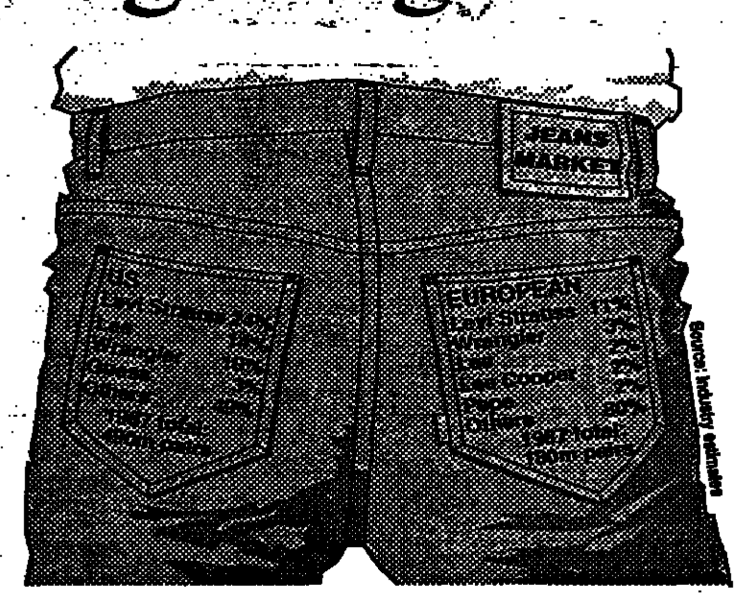
Daimler remains in negotiations with the Bonn government about a possible deal, although the two sides are still wrangling over the precise terms. However, the Deutsche Aerospace subsidiary is clearly broad enough to accommodate further aircraft manufacturing and arms activities should Daimler strike a deal with Bonn.

The main casualty in the reorganisation appears to be AEG, the Frankfurt-based electronics group, which is losing its aerospace electronics and defence business to the Deutsche Aerospace subsidiary.

According to Der Spiegel, the West German newsmagazine, the company may be slimmed further with the closure of the loss-making Olympia typewriter business and sale of its consumer electronics side. However, an AEG official strongly denied both those options yesterday.

Shrinking to fit as times get tight

Alice Rawsthorn looks at the problems of prospective bid target Lee Cooper and how the world's blue jean manufacturers have been forced into retreat by falling demand



Lee Cooper jeans have got the blues again. Europe's biggest jeans manufacturer has emerged from a traumatic year of cuts and closures only to find that Vivat Holdings, its parent company, faces the threat of a takeover bid.

Lee Cooper is not the only jeans company to be suffering. So far, 1988 has been a lousy year for the giant international groups that dominate the world jeans market. Jeans sales have been sluggish in North America and Europe since the start of the year.

Levi Strauss, the Californian company which created and still dominates the market, has occasionally been operating on a short-time basis in the US, where it has laid off 1,200 people from its 32,000 workforce. The VF Corporation, which owns Lee and Wrangler, is also cutting costs in North America.

This follows a brief burst of recent prosperity for the jeans industry, after its dramatic decline in the early 1980s. Its heyday was in the 1960s and 1970s when denim jeans became the unofficial uniform of teenagers all over the world.

But the adolescents of the early 1980s regarded the denim jean as an embarrassing relic of their parent's youth, rather than a symbol of their own rebellion. The jeans market in the US fell from 500m pairs in 1981 to 430m in 1985 and from 250m to 150m in Europe.

The US jeans giants, which had expanded internationally in the 1960s and 1970s, became embroiled in rationalisation. Levi and Wrangler, then owned by Blue Bell, closed plants all over the world. After a series of lack lustre financial results, both returned to private ownership through leveraged buy-outs.

Lee Cooper rationalised its interests in Europe. Lois, the only other significant European jeans maker, began to retrench back into its native Spain.

But in 1985 the industry staged a revival fuelled by Levi's success in reintroducing its five pocket, fly button 501 jeans, first in the US and then in Europe.

Thanks to 501s — and to Levi's expensive advertising — jeans became fashionable again. The industry was also buoyed by the craze for "acidwash" jeans — or jeans with a marbly finish — in almost every international market.

In 1986 jeans sales stabilised in the US and Europe. The following year the market grew to 490m pairs in the US and to 180m pairs in Europe. The industry seemed to have recaptured its old momentum.

But the overall growth in sales disguised the continuing decline in sales of the basic jeans on which the giant groups had built their businesses. Levi flourished, thanks to the reflected glory of 501s — as did Lee, which had always been seen as a stylish brand of jeans. The new generation of "designer" jeans companies, Guess in the US and Pepe in the UK, also prospered.

Yet Wrangler was still struggling. In the US, it suffered from its image as the "cowboy" jean. In Europe, it was forced to forfeit market share by closing down subsidiaries and switching to licensing to cut costs because of the financial pressure imposed by Blue Bell's buy-out. Two years ago, Blue Bell was taken over by the VF Corporation. So far there is no sign of it recovering lost ground.

Lee Cooper has also suffered from an old-fashioned image. It decided to withdraw from manufacturing in Europe three years ago. It has since closed plants in France, West Germany and the UK. The last remaining French factory will close early next year. The company will then source from contract manufacturers in the Far East, the approach adopted by Pepe, and from its sole surviving plant in North Africa.

But the cost of restructuring has been higher than expected. In its last financial year it fell into a net attributable loss of £3.2m ($5.6m), after extraordinary costs of £5.3m. It is officially due to publish its results for the first half of this year today.

The poor performance led to a boardroom row in August when two directors resigned. They were the chairman, Lord Marsh, former chairman of British Rail, and Mr Max de Boysson, representative of the French Compagnie de Navigation Mixte, which holds 25 per cent of the shares. Two weeks ago Vivat announced an approach from a prospective bidder.

While Vivat struggles to resolve its problems, the sluggish state of the world jeans market is taking its toll on other manufacturers. The "acidwash" fad has fizzled out in Europe, where sales have been static so far this year. In the US sales have fallen by about 4 per cent because of the sweltering summer weather and the slowdown of acidwash sales in smarter, urban areas.

The immediate problem of weak sales disguises the long-term problems the industry faces in coming to terms with the increasingly fashion conscious nature of the jeans market.

Traditionally, jeans styles changed slowly and manufacturers have been able to rely on making standardised products at high volume, thereby benefiting from enormous economies of scale. Today styles change more swiftly and manufacturers need to be flexible enough to respond to sudden shifts in consumer demand.

So far, the major manufacturers have found it difficult to do so. Yet they are trapped in a market in which a new trend is the only hope of stimulating sales.

"But the industry has not really succeeded in communicating the advantages of worn-in jeans to the consumer," complained one of Levi's marketing managers in San Francisco.

And what are the advantages? "The worn-in jean is the clothing equivalent of convenience food," he enthused. "McDonald's cooks a burger for you and Levi makes jeans that look as though you have been wearing them for years."

Gold Fields-Minorco ruling today

By Kenneth Gooding, Mining Correspondent

THE £2.9bn ($5.1bn) hostile bid for Consolidated Gold Fields, the UK industrial and mining group, by Minorco, the South African-controlled investment company, reaches a climax today.

The bid could be halted this morning either by a reference to the UK Monopolies and Mergers Commission or by the London Stock Exchange's Takeover Panel.

If no decision is announced by mid-morning or if the bid is cleared to proceed, Gold Fields will rush out details of its financial defence, including an asset revaluation.

By doing so it would hope to boost the Gold Fields share price above the value of the Minorco terms before the offer reaches its first close at 3pm today.

After that time Minorco could buy in the market at below the bid value to take its shareholding in Gold Fields, currently about 29.6 per cent, above 30 per cent for the first time since it launched its bid on September 21.

Under the terms of the UK Takeover Code Minorco could build its stake in Gold Fields to about 44 per cent by buying in the market, without having to make an all-cash offer, and its bid would then be almost certain to succeed.

Last night the Gold Fields share price edged up 19p to £12.44 but this was comfortably below the value of the Minorco bid, worth £12.73 a share last night. The Minorco price eased back by 19p to £6.46.

Representatives from Gold Fields and Minorco were together yesterday at a three-hour meeting of the full Takeover Panel.

Gold Fields argued that the Panel should halt the bid temporarily while the Department of Trade and Industry inspectors — appointed last week to investigate possible insider dealing in Gold Fields shares ahead of the offer — completed their investigation.

This argument was rejected by the executive committee of the Panel last week.

The verdict of the full Panel will be announced before the London stock market opens today. Lord Young, the UK Trade and Industry Secretary, is also expected to reveal this morning whether the bid will be referred to the Monopolies Commission.

Chemical operations help Exxon advance by 15%

By James Buchan in New York

EXXON, the world's largest oil company, yesterday reported a 15 per cent rise in earnings for the third quarter as improved results from refining and chemicals operations made up for weak profits from production.

The Exxon announcement was mirrored in other oil company results, with Arco also up 24 per cent over the 1987 September quarter and Ashland up 55 per cent. Last week, Amoco reported a third-quarter result up 34 per cent.

During the quarter, the weak oil price held back production profits but provided good margins downstream as prices for gasoline and chemicals proved more robust.

The companies weighted in the downstream sector, such as the Kentucky refiner, Ashland, showed the best improvement.

Exxon said yesterday that its third-quarter earnings rose 15 per cent to $1.22bn on more or less unchanged revenues of $21.29bn. Earnings per share rose a more robust 24 per cent to 93 cents, because the company has been buying in shares to compensate stockholders for the poor business conditions.

In exploration and production, the 25 per cent drop in average per-barrel prices cut Exxon's earnings in half, from $933m to $478m.

In contrast, refining and marketing showed a strong gain from $457m to $587m, thanks to better profit margins and 4 per cent increase in sales volumes.

Chemicals remained the strongest business, with an increase from $192m to $344m on an 8 per cent increase in sales volumes.

In the nine months to September, Exxon reported an 18 per cent increase in net income to $3.88bn on a 6 per cent rise in revenues to $65.52bn. Per-share earnings rose 25 per cent to $2.89, thanks to a 7 per cent reduction in Exxon's shares outstanding.

Arco, which is based in Los Angeles, said its earnings in the third quarter rose 24 per cent to $315m or $2.17 a share on a 5 per cent rise in revenues. The $5 decline in oil prices year-on-year hit Arco's high-cost Alaskan production, with earnings tumbling from $235m in the 1987 third quarter to $80m. But earnings from refining and marketing rose from $30m to $121m and petrochemical profits rose from $23m to $156m.

At the nine-month stage, Arco was 38 per cent ahead at $1.19bn or $6.56 a share on an 11 per cent rise in revenues to $13.8bn.

Ashland said its net income for its fourth quarter to September rose 55 per cent before special items to $68m or $1.11 a share. Sales were little changed at $2.2bn. For the year, Ashland's net income rose 77 per cent before unusual items to $184m or $3.29 a share on a 17 per cent rise in revenues to $8.2bn.

Amoco reported last week that earnings rose 34 per cent to $552m or $2.15 a share on all but unchanged revenues of $5.9bn. Earnings at the nine-month stage were up 72 per cent at $1.69bn or $5.56 on a 7 per cent rise in revenues to $17.9bn.

Strong recovery at Union Carbide

By Anatole Kaletsky in New York

UNION CARBIDE, the big US chemicals group which has undergone several financial restructurings since its involvement four years ago in the Bhopal disaster, announced a 168 per cent jump in profits in the third quarter.

The company made $213m or $1.56 a share, compared with $74m or 57 cents in the third quarter of 1987. The fully diluted earnings, assuming the conversion of convertible debentures, were $1.49 a share, 171 per cent on a year earlier.

The company's quarterly sales increased by 23 per cent to $2.1bn, with all three of the main divisions – chemicals and plastics, industrial gases, and carbon products – reporting higher sales.

The chairman, Mr Robert Kennedy, said an "exceptional" performance in chemicals and plastics was the most important factor in the very strong results. Expenses excluding depreciation increased by only 16 per cent to $1.40bn, while depreciation was slightly down.

For the first nine months of the year, earnings rose by 140 per cent to $501m, sales advanced by 22 per cent to $6.19bn. The cost of sales increased by 18 per cent to $4.1bn, while research and development and depreciation were both roughly unchanged.

Pepperell receives $1.4bn bid

By Robert Vincent in New York

A BID has finally been launched for West Point-Pepperell, the biggest US textiles and clothing maker, following five months of speculation and heavy trading in its stock.

Farley, the parent company of the leading textiles group Fruit of the Loom, is offering $48 a share for the Georgia-based company, valuing it at $1.4bn. The offer, however, is expected to be strongly resisted.

Farley, a privately owned, diversified company headed by Mr William Farley, the Chicago investor, has been at the centre of the takeover speculation, and in May filed with the Federal Trade Commission for clearance to buy up to 25 per cent of Pepperell's stock.

The bid, therefore, came as no real surprise, although some analysts felt that the threat of a hostile offer had subsided. In early trading yesterday Pepperell's shares were up $4¼ to $49¾, indicating that the market believes there will be an auction.

Fruit of the Loom is the nation's largest maker of underwear and it is believed that Mr Farley is particularly interested in Pepperell's key sheet and towel operations. Analysts consider that Mr Farley will sell of other parts of Pepperell, including Gold Toe socks and Arrow shirts.

The unsolicited offer comes only six months after Pepperell bought J.P. Stevens, one of the biggest and best known companies in the industry, for $1.2bn.

The acquisition left Pepperell with close to $1bn in debt, and in the May quarter its net earnings per share fell to 25 cents from 38 cents last time as the group digested the new acquisition.

Some analysts felt that the fact that Pepperell was so highly leveraged would prove a bid repellent. Pepperell has, however, sold off several pieces of Stevens to reduce its debt and meet anti-trust provisions, but it held on to the cream of the acquired assets.

Farley's offer for Pepperell whose sales topped $1.7bn last year, is dependent upon it circumventing state anti-trust laws and the bid defences put in place by Pepperell.

Mr Farley in a letter to Pepperell said that he was convinced the two would make "a great team."

He underlined the strength of Fruit of the Loom. Its sales this year would, be said, be more than $1bn, against $574m in 1985, and operating margins were among the highest in US manufacturing.

This is by no means the first time Farley has been on the acquisition trail. Its largest in recent years was the $1bn leveraged buyout of Northwest Industries in 1985, most of which was sold off.

Downturn at Nortel

By David Owen in Toronto

NORTHERN TELECOM, the big Canadian telecommunications company, reports disappointing third-quarter earnings of US$60.1m or 23 cents a share – a decline of nearly 14 per cent from the US$69.5m or 28 cents recorded in the corresponding year-earlier period.

Revenues were US$1.23bn, up from US$1.16m in 1987.

Nortel's nine-month income totalled US$200.7m or 79 cents a share, versus US$207.2m or 82 cents, on revenues of US$3.82bn, against US$3.55bn a year earlier.

CGE buys 9% stake in SocGen

By George Graham in Paris

MR GEORGES PEBEREAU, the former chairman of France's Compagnie Générale d'Electricité, has declared a 9.16 per cent stake in Société Générale, the bank which was privatised last June and whose shares have been under heavy buying pressure in the last week.

Marceau Investissements, Mr Pebereau's holding company which regroups a number of leading French institutions among its shareholders, acquired the stake last Wednesday and Thursday, when Société Générale's shares soared 12 per cent one day to fall 9 per cent the next.

Marceau was chosen by Mr Edouard Balladur, the last right-wing Finance Minister, as one of Société Générale's "hard core" of friendly shareholders, with a stake of 0.5 per cent. It had since taken its holding in France's fourth largest bank up to nearly 3 per cent over the summer.

Speculation has been rife that Mr Pebereau, who was named as chairman of CGE by the last, socialist Government and then sacked by the right, was intended by the new left wing Government of Mr Michel Rocard to play the role of counterweight to Mr Balladur's hard core, as Mr André Rousselet of Canal Plus did last month with Havas, the privatised advertising group.

The Caisse des Depôts, the state financial institution which also played a role in redistributing control of Havas, is one of Marceau's shareholders and also worked closely with Mr Pebereau in his recent acquisition of a 10 per cent stake in Wagon-Lits, the diversified Franco-Belgian sleeping car group.

Besides Mr Robert Lion, chief executive of the Caisse des Depôts, Marceau's board includes Mr Claude Bebear, chairman of Axa-Midi, Mr Jean-Louis Descours, head of the André shoe group, and Mr Gustave Leven, the veteran chairman of Perrier – whose shares were also heavily demanded yesterday.

In addition to small "hard core" stakes acquired on the flotations of Suez and Crédit Commercial de France, Mr Pebereau has also been building positions in two other privatised groups, Paribas and his former fief CGE. Since Société Générale is itself the major shareholder in CGE with around 6.9 per cent, some commentators have speculated that the giant electrical group may be the true target of the operation.

It is by no means clear, however, that Mr Pebereau's aim is in fact political rather than financial.

Société Générale has said it does not fear any bid for control, since its hard core, subsidiaries, employees and other "friends" together control over 30 per cent of its shares, and many more are held by long term clients of the bank. The hard core, however, numbers not only Marceau and the Caisse des Depôts but also Frandev, another of Mr Pebereau's shareholders, as well as the three state insurance groups – UAP, AGF and GAN – and the state-owned chemicals producer Rhône-Poulenc.

At current prices, Marceau's stake in Société Générale is valued at nearly FFr3bn.

Charge puts SmithKline in red

By Our Financial Staff

SMITHKLINE BECKMAN, the big US drugs group, yesterday announced a third-quarter net loss of $195.5m or $1.57 a share following the $389.3m pre-tax restructuring charge announced late last month.

Excluding this charge, net earnings in the 1988 quarter would have been $97.1m or 79 cents a share. This compares with profits in the third quarter of 1987 of $149.6m or $1.18 a share.

Sales in the third quarter of 1988 rose 6 per cent to $1.17bn, despite lower US sales of the company's Tagamet anti-ulcer drug and its Dyazide anti-hypertension drug.

Mr Henry Wendt, chairman and chief executive, said: "Wholesalers and retailers of Tagamet and Dyazide continued to work down the large inventory of products they had on hand. We hope to return to normal buying patterns in the fourth quarter."

Worldwide sales of Tagamet were down 18 per cent in the 1988 quarter, with US sales down 40 per cent and international sales up 9 per cent.

In contrast, consumer product sales in the latest quarter rose 25 per cent to $93m, reflecting the strong performance of Contac cold medicine and Ecotrin safety-coated aspirin. Animal health sales were flat at $80m, reflecting the summer drought in the US and increased competition in the US veterinary business.

Sales of eye and skin-care products rose 29 per cent to $189.6m, mainly reflecting growth in pharmaceuticals and in international operations, but also because of the acquisition of Allergan Hydron.

The biggest jump in sales came at the company's Bio-Science Laboratories division, where revenues grew 76 per cent to $187.7m. This largely reflects the acquisition earlier this year of International Clinical Laboratories.

For the first nine months of 1988, the company's net earnings were $69.8m or 56 cents a share, against $428.1m or $3.26. Sales rose from $3.13bn to $3.47bn.

Record quarter at Inco

By Kenneth Gooding, Mining Correspondent

INCO, the Canadian group which, as the world's largest nickel producer, has been benefiting from high base metal prices, yesterday reported a third consecutive record for quarterly earnings.

The group earned US$200.3m in the third quarter or $1.88 a share, compared with $41.4m or 36 cents in the same months last year.

Earnings for the nine months were also a record at $516.4m or $4.86 a share against $93.2m and 39 cents a share.

In the first nine months, the company generated an internal cash surplus of $619m, of which $68m was used to redeem preferred shares and $157m to repay debt. Inco said that at September 30 it had $457 in cash and marketable securities, an increase of $256m from June 30, and total debt had been cut to $721m.

Inco recently announced a recapitalisation plan to be completed by the year-end if shareholders approve. It includes the distribution to shareholders of more than $1bn in cash (as a $10 a share dividend) plus "poison pill" provisions designed to protect the company from a takeover without an offer to all shareholders.

Inco realised an average of $5.50 a lb for nickel in the third quarter and $4.72 a lb in the nine months, compared with $2.27 and $2.01 a lb respectively last year. It realised an average of 97 cents a lb (78 cents) for copper in the third quarter and $1.02 a lb (68 cents) in the nine months.

The group's nickel stocks were reduced from 63m lbs at June 30 to 50m lbs by end-September following deliveries of 355,000 lbs of the metal in the nine months.

Shearson plans 1,000 lay-offs

By Janet Bush in New York

SHEARSON LEHMAN Hutton, the Wall Street securities house 60 per cent owned by American Express, said it plans to lay off about 1,000 of its 41,000-strong staff over the next month.

Mr Peter Cohen, Shearson's chairman and chief executive, said the redundancies reflected the sluggishness of the brokerage industry. "We're taking the attitude that this environment could last longer than some people think," he said.

The lay-offs are coming from all areas of the company.

Mr Cohen said he was not happy with the company's third-quarter results announced last week. Net income dropped 85 per cent compared with the third quarter of 1987, to $8m while expenses jumped by 69 per cent to $7.46bn in the first nine months of 1988.

This hefty increase in the company's expenses partly reflects the costs of its merger with E.F. Hutton which has now been substantially completed. Mr Cohen said last week that the company had realised its cost-cutting goals related to the merger but would continue efforts to reduce company-wide operating expenses in view of current business conditions.

The Shearson announcement came as rumours started to intensify about a second wave of redundancies on Wall Street. Many brokerages announced large-scale lay-offs in the immediate aftermath of last October's stock market crash but few have made substantial progress in cutting costs to reflect sharp declines in commission revenues.

There are widespread expectations that other securities houses will announce lay-offs during the next few weeks to pre-empt the annual bonus payments season in December.

● Primerica, the US financial services group, says Mr Frank Zarb, now a senior partner at Lazard Freres, has been named chairman and chief executive officer of Primerica's Smith Barney subsidiary, with effect from November 1. He is to replace Smith Barney's president, Mr George Vonder Linden, who will continue as consultant to the management group at Smith Barney.

GTE earnings edge higher

By Our Financial Staff

GTE, the biggest US telephone company outside the Bell System, and manufacturer of communications and electrical products, reported a 5 per cent rise in net earnings for the third quarter of 1988, up to $313m or 91 cents a share, from $297m or 86 cents a share in the same period last year.

Revenues for the third quarter were 5 per cent up, at $4bn, compared with $3.8bn last year.

"Earnings per share showed good growth over the prior year's quarter as well as the second quarter of 1988," said Mr James Johnson, GTE's chairman and chief executive officer.

"This growth is related, in part, to the previously announced sale to United Telecom of a majority of GTE's interest in US Sprint, whose results had adversely affected earnings in the past," he added.

For the first nine months of 1988, net earnings rose by 15 per cent, to $898m or $2.62 a share, compared with $785m or $2.40 last year. Revenues were up by 7 per cent to $12.2bn, compared with $11.3bn last year, although the nine-month figures for last year reflect a special net after-tax charge of $39m for a writedown at US Sprint.

"The investment in our telephone operations continued to yield a good return despite a $55m provision in the quarter to reorganise and streamline operations," said Mr Johnson.

"This streamlining, which formally commences on January 1, 1989, and will be fully implemented by year-end 1993, is projected to result in significant cost savings and reward our shareholders for their investment in GTE," he added.

"Communications products and electrical products also showed improvement, primarily reflecting increased sales of precision materials, international lighting products and government communications systems," he said.

Compaq profit jumps by 60%

By Louise Kehoe in San Francisco

COMPAQ COMPUTER, the US personal computer manufacturer, boosted sales and earnings by almost 60 per cent in the third quarter as US demand for high-performance desktop computers continues to rise.

Net income for the period rose to $58m from $36m in the same period last year. Earnings per share were $1.40, compared with 94 cents.

Sales for the third quarter were $502m, up from $313m in the third quarter of 1987.

For the nine-month period, net income was $163m or $4.08 per share, compared with $97m, or $2.29 in the first nine months of 1987. Sales were $1.4bn, compared with $792m in the corresponding period last year.

The third-quarter performance "is noteworthy considering that the third quarter is traditionally affected by seasonally lower sales in Europe and the US," said Mr Rod Canion, president and chief executive.

Digital in PC data base deal

By Louise Kehoe in San Francisco

DIGITAL Equipment Corporation yesterday announced an agreement with Ashton-Tate, the leading publisher of data base management software for personal computers under which new versions of Ashton-Tate's popular dBase program will be developed for Digital computers.

The move marks the first time that dBase will be offered for use on multi-user computers and graphics workstations. Under the terms of the agreement, Ashton-Tate will develop the software, while Digital will market and support it.

The agreement reflects Digital's strategy of offering applications software that will run on its entire product line including desktop computers, minicomputers and network systems. For Ashton-Tate, the agreement represents an opportunity to move beyond the personal computer market.

Versions of dBase under development include a character-based version for use on Digital terminals, a graphics version for use on workstations and a third version for personal computers linked to Digital networks.

No financial details of the agreement were revealed.

Standa forecasts a loss

By Our Financial Staff

MR Silvio Berlusconi, chairman and majority shareholder of Standa, said yesterday that Italy's largest retail store chain would post a L50bn ($37.7m) loss for the first half of 1988.

Mr Berlusconi also predicted that Standa would report a net loss of around L20bn for the whole of 1988.

He did not provide any figure for revenue in either period, but said it would probably increase for the whole year. Standa reported consolidated group net profit of L24.4bn on sales of L2,900bn in 1987.

Mr Berlusconi took control of Standa in July, when he agreed to pay the Ferruzzi agri-business group L960bn for a 70 per cent stake in the department store chain.

"Standa was not exactly what we had expected it to be (before buying it)," Mr Berlusconi said yesterday. He did not elaborate.

Fininvest, Mr Berlusconi's master holding company, said the group had until October 31 to present Standa's first-half balance sheet to the Consob, Italy's securities industry regulatory agency.

● Societa Assicuratrice Industriale (SAI), the Italian insurer, has bought a 2.4 per cent stake in Ferruzzi Finanziaria, the main holding company of the Ferruzzi group. for an undisclosed sum.

Mr Salvatore Ligresti, SAI's chairman, has been named to the board of Ferruzzi Finanziaria. SAI already owns about 2 per cent of Ferruzzi unit Montedison.

SAP coming to market

By Our Financial Staff

SHARES of SAP, a West German software company, will be offered to the public at DM750 each in a DM180m offering that could stimulate demand for more new issues before the end of the year.

DG Bank Deutsche Genossenschaftsbank, lead bank for the issue, said 240,000 shares in SAP, whose full name is Systeme, Anwendungen, Produkte in der Datenverarbeitung, would be offered for public subscription between October 26 and 28.

DG said the new shares would be eligible for half of the 1988 dividend of DM11.50, which would rise to DM13.75 in 1989. Earnings per share of DM38.58 were expected for 1988 and of DM49.42 in 1989.

Public offerings tapered off after last autumn's stock market crash, and SAP is only the second new issue to hit the main stock market this year.

Mr Rolf Breuer, Deutsche Bank management board member, recently told a group of private investors: "We have a whole list of newcomers in the drawer. In view of the bourse situation, it may be time to open that drawer."

Conditions for new issues are favourable at the moment, since the market is generally moving upward, says equities analyst Mr Bernhard Thees, of Hauck, Georg und Sohn Bankiers.

An improved 1988 corporate profit outlook, expected 3.5 per cent real West German economic growth and the D-Mark's continued attractiveness have boosted the German market in recent weeks.

"What does finding the right price mean if it isn't the right thing to do?"

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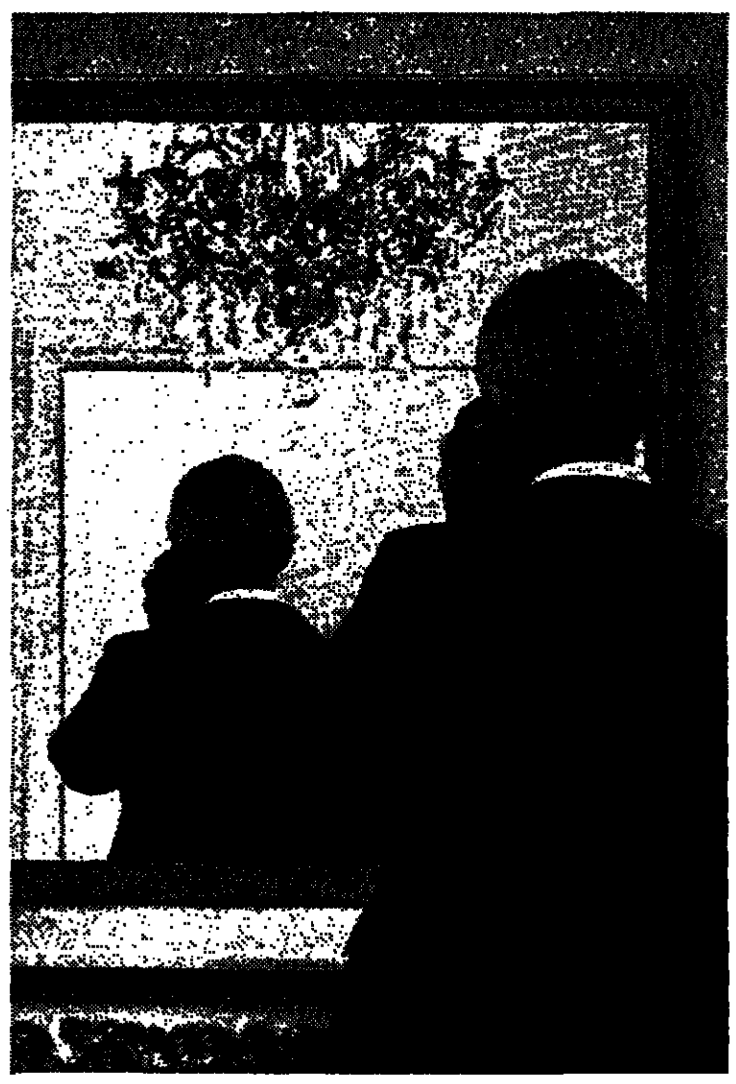

In mergers and acquisitions, failing to make the distinction between price and value is like turning your back on reality.

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INTERNATIONAL COMPANIES AND FINANCE

Asko's capital call raises some eyebrows

Haig Simonian on the response to another rights issue from a German retail group

Some companies might have wondered whether they were trying shareholders' patience a little too far by announcing three rights issues in as many years.

Not so Asko, the fast-expanding discount retailer which has grown from a regional co-operative into one of Germany's biggest stores groups in less than a decade. Earlier this month it announced a DM870m ($489m) rights issue, its third call on shareholders since 1986 and one of the biggest corporate capital raisings in West Germany.

But the move does not seem to have gone down well with some shareholders. Last week, Deutsche Bank, which is leading the rights issue, announced that it was placing 300,000 of the new shares in the market. Certain unnamed "large investors" had turned down their rights, and their shares were to be placed instead. The news sent Asko's share price plummeting. By all accounts, the bank was not well pleased.

Asko's growth has certainly been spectacular. Sales this year are likely to hit DM15bn, from DM10.1bn last year, while after-tax profits should reach between DM120m and DM130m against DM85m before extraordinary items in 1987. Dividends have risen virtually as fast, and will reach DM15 for each ordinary share this year from DM10 in 1986.

Such hard facts make it difficult to disagree with Mr Helmut Wagner, Asko's ebullient chief executive, when he says that shareholders have got a lot more company for their money. However, they have also had to pay for it. In late 1986 Asko made a DM270m rights issue, followed by a deep-discount issue in 1987 which brought in a further DM170m. Now it wants more.

Admittedly, the second transaction, where new shares were priced at just DM150 against a stock market quote of DM1,930, was a "bonbon" rewarding shareholders for their allegiance, says Mr Horst Weber, Asko's finance director. After dropping sharply following the crash, the share price on the increased capital had stabilised at just over DM1,000 before the latest rights deal, against a closing price of DM892 in Frankfurt yesterday.

Most of Asko's extraordinary growth has come through acquisition, explaining its regular calls for capital. The company has spent some DM1.9bn since 1985. Among its string of purchases have been Schaper, a leading stores group in which it has steadily built up a majority stake, and Massa, a pioneering discounter in which it now holds just under 50 per cent of the shares.

However, some DM500m to DM600m of the spending has been bunched up in the past few months. Regulatory approval for Asko to raise its stake in Massa from 24.9 per cent came quicker than many expected, while in July, Asko took up its full entitlement in Massa's DM206m rights issue.

Full control of Schaper has also come faster than many thought. According to the original deal hammered out with the Leibbrand family, Schaper's owners, Asko had the option to buy out their remaining 20 per cent stake by 1990. However, Schaper's high profitability spurred it to seek an earlier settlement, says Mr Weber, albeit at the cost of higher borrowing.

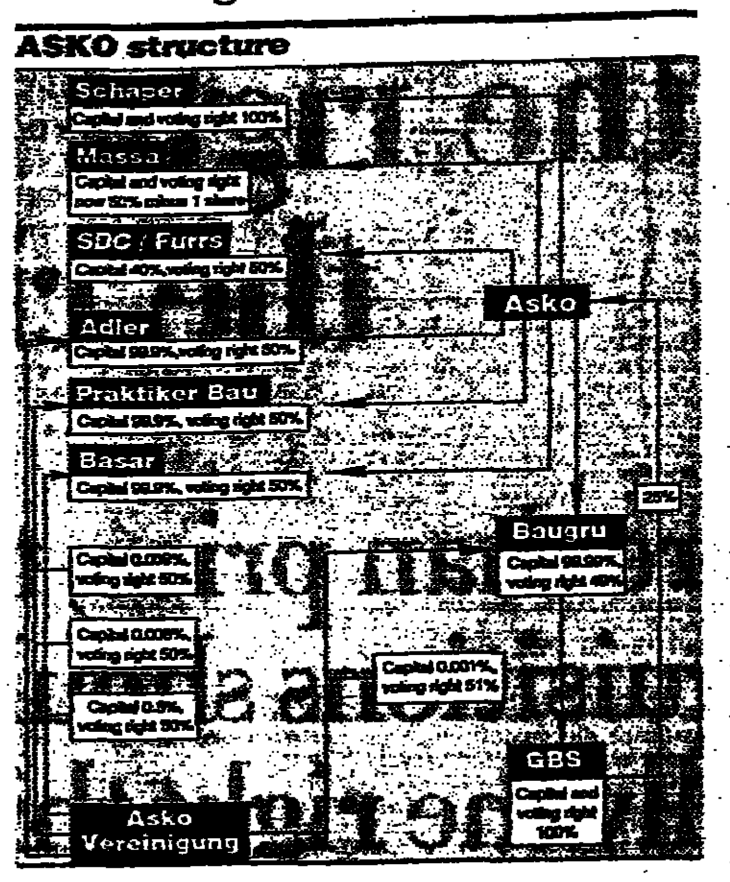
Asko now owes some DM1.2bn to its banks. Mr Weber expects borrowing to drop to DM450m by the end of the year, against some DM720m at end-1987. He claims the substantial fall in interest costs is one of the factors which will underlie this year's profits and dividend increase.

At least Asko's banks can probably understand its complicated structure better than the average shareholder. Both the company itself, and, more recently, its reciprocal stake in Massa, have been attacked on the grounds of inadequate transparency, fostering the impression that it is growing too fast and trying to squeeze too much money out of too many places to finance new acquisitions.

Some 25 per cent of Asko's shares are held by a company called GBS – itself a subsidiary of Baugru – another linked company in which Asko owns virtually all the capital but has only 49 per cent of the voting rights.

The scheme was devised in Asko's early days to protect it from takeover, says Mr Weber. Since then, it has proved a valuable bolster to its security, he claims.

ASKO structure



Mr Weber tries to be sanguine about the attacks on Asko's structure. "It is a bit complicated, but not as complicated as people make out," he says. "It's only sinister if you make a big secret out of it."

Yet Asko's more recent dealings with Massa have bolstered the sceptics. Its original 24.9 per cent in Massa has now been consolidated with a further slice of equity, giving it 50 per cent minus one share – an important distinction on German monopoly grounds. Meanwhile, Massa now owns around 20 per cent of Asko – and will be stumping up some DM170m from its own funds to pay its share in the latest rights issue, according to Mr Weber.

The belt around the two companies has been further tightened this summer by a deal giving Massa control of Asko's Basar store chain in return for a profit sharing and management fee arrangement.

Mr Wagner describes his business philosophy as aimed to maximise the freedom of each individual component within the group. "Before I used to say that each company should be run in such a way that it could be sold off at any time. Then I realised that that could be misinterpretated by the workforce," he jokes. "So now we say each part should be seen as being capable of being floated individually on the stock exchange at any given time."

Mr Wagner is enough of a deal-doer to mean it, even though the idea of floating subsidiaries is almost unheard-of in Germany. What he does not say is that keeping separate share quotes is also a convenient way of raising cash by allowing a more frequent recourse to shareholders.

Hence, perhaps part of the rationale for keeping Massa a separate entity rather than absorbing it into Asko. Some have even suggested Massa's stake in the group may be an eventual bargaining counter in a far-sighted plan to create a pan-European retailing link, with the stake being traded for shares in another European retailing group.

More immediately, where does Asko go from here? Mr Wagner knows that cartel restrictions and the country's strict zoning laws severely limit the scope for new store openings.

Expanding in Europe is not an immediate priority, and Asko's stake in SDC/Furrs, a retail group in the southern US, is likely to remain its only major foreign operation for the time being.

Improving the domestic business by developing existing trading sites, opening new stores where possible and offering more choice from existing venues are its obvious aims.

But it is purchasing which has most recently caught Mr Wagner's fancy. In conjunction with a number of unnamed European counterparts, Asko has set up a group called Interbuy International to spearhead their joint purchasing. Details of the venture remain fuzzy, however, and Mr Wagner is being given the benefit of the doubt for the time being.

Meanwhile, boosting Massa, a pioneer in greenfield retailing, which has tended to rest on its laurels in recent years, is a key target. Motor cars are a focal point. The group broke convention when it started selling UK-built Rover models. However, turnover has not been spectacular, and Mr Wagner would dearly love to sell other models – German in particular.

A scheme to sell South Korean Hyundai models appears to have been dropped, despite many attractions, as vehicles from the Far East might fall foul of future European Community trade barriers. Domestic customer hostility – not least in car-producing areas – has been another hindrance.

But Mr Wagner faces an uphill task in persuading German manufacturers to let him sell their cars. Negotiations with Opel, based at Rüsselsheim, in the heart of Massa territory, are said to have broken down in the face of resistance from established dealers. It appears that they, like some of Asko's shareholders, require more convincing.

Thomson-CSF lifts net earnings in first half

By George Graham in Paris

THOMSON-CSF, the listed defence and electronics subsidiary of France's state-owned Thomson group, has reported net profits of FFr1.62bn ($266m) in the first half, up 6.6 per cent from the same period of 1987.

Operating profits almost tripled to FFr987m, thanks to the productivity effects of costly restructuring carried out in the last two years and to billings falling due on the FFr35bn Al Thakeb defence contract signed with Saudi Arabia in 1984.

Losses from affiliated companies were reduced to FFr189m from FFr277m last year, thanks in particular to the semiconductor operation, SGS-Thomson Microelectronics, jointly owned with Italy's Stet, which returned to pre-tax current profits of FFr111m after losing FFr699m in the 1987 full year.

Heavy restructuring provisions continue for the company, but its net loss for the full year will be reduced by some exceptional capital gains.

The major source of Thomson-CSF's earnings remains financial activities, both those linked to its industrial treasury management and those of its banking subsidiary, Batif.

Total financial earnings rose 18 per cent to FFr2.08bn, including FFr1.07bn from the management of treasury flows and FFr750m from Batif and its subsidiaries.

Thomson has provisioned FFr120m of its losses from the collapse of Al Saudi Banque, to which it had lent around FFr400m, but will have to provide for another FFr40m to FFr50m since the latest rescue plan has increased the burden to be borne by Al Saudi's major creditors.

Mr Jean-Francois Henin, head of Batif and the new chairman of Al Saudi, said Thomson had placed the money with the troubled bank on May 25 and 26, two days before the Bank of France stepped in, as a result of a double error by a dealer who was not authorised to make term deposits and of the back office, which failed to identify the counterparty.

He rejected suggestions that Thomson had been asked by the French Government to make the deposit.

Swiss bank sees 'satisfactory' result for 1988

By John Wicks in Zurich

SWISS VOLKSBANK of Berne, one of Switzerland's Big Five banks, expects "satisfactory" results for the current year. Mr Walter Ruegg, chief executive, says operational cash-flow should be higher than that booked for 1987.

This unspecified figure had fallen slightly last year, as a result of which net profits declined by 0.3 per cent to SFr115.6m ($77m).

Mr Ruegg said that increased interest earnings and profits on trading in securities and foreign exchange had more than compensated for a marked drop in commission business in the first nine months of 1988.

This fall in commission business was, however, less than had been expected at the start of the year. It was also possible to keep to the bank's tighter cost budget.

The bank booked a 6 per cent rise in its balance sheet total over the first three quarters to SFr34.13bn. Within this total, loans and advances to clients increased by 8.3 per cent to SFr23.66bn and the due-from-banks sum rose by 14.3 per cent to SFr6.05bn.

Nordstjernan profits soar

By Sara Webb in Stockholm

NORDSTJERNAN, Sweden's recently listed real estate and construction group controlled by the Johnson family, more than doubled profits for the first eight months and upped its full-year forecast in view of the favourable outlook for the construction and steel sectors.

Profits after financial items reached SKr769m ($124m) in the first eight months, against SKr373m in the same period last year, and were boosted by ship sales and turnover from real estate amounting to SKr256m. Nordstjernan said that profit after extraordinary items increased by 43 per cent to SKr513m.

Mr Bernt Magnusson, chief executive, said full-year profits would exceed SKr1.2bn, well above the group's earlier forecast of SKr850m. Profits after financial items in 1987 reached SKr744m.

Group sales totalled SKr14.76bn, compared with SKr10.52bn in the first eight months of 1987, and were boosted by the acquisition of ABV, a Swedish construction and real estate company.

Profits and sales at Avesta, Nordstjernan's steel division, were lifted by strong demand and large price increases for raw materials. Avesta's profits trebled to SKr635m while sales climbed 26 per cent to SKr4.89bn.

The group's shipping interests doubled profits to SKr124m while sales increased by 6 per cent to SKr1.27bn. Profits were boosted by the sale of shares in ships.

INTERNATIONAL COMPANIES AND FINANCE

Bond to dispose of 5.5% stake in BHP

By Chris Sherwell in Sydney

FURTHER ASSET disposals from Australia's Bell stable of companies were announced yesterday as part of a process of rationalisation begun after Mr Robert Holmes à Court sold out and Mr Alan Bond's Bond Corporation acquired control.

A parcel of more than 70m shares in Broken Hill Proprietary (BHP), the country's largest company, is to be placed with institutional and other investors internationally by a syndicate headed by Morgan Stanley International.

The offering, amounting to 5.5 per cent of BHP, is likely to realise more than A$500m (US$409m) after adjustment for options. It is thought unlikely to depress the market significantly.

A small part of the stake is held by Bell Resources directly, while the bulk is held through its Weeks Petroleum subsidiary. The placement will complete the reorganisation of major stakes in BHP begun earlier this year.

At the same time it was confirmed that Mr Holmes à Court was finally stepping down as chairman of Bell Group "after completion of various matters following change of control of the company."

In another announcement, Bond Corporation said Boral, the local building products group, had bought a group of industrial assets located in various Australian states, in California and the state of Washington in the US, and in British Columbia and Saskatchewan in Canada.

No figures were given. The businesses were said to be in earthmoving, quarrying, road freight, the manufacture of concrete, asphalt, retreaded tyres and a range of steel, aluminium and concrete industrial products.

The sale comes 18 days after Bond sold Bell Group's concrete and quarrying businesses in Queensland and northern New South Wales to CSR, another well-known Australian building products group.

The moves also follow Mr Bond's revelation last week that he was seeking A$2bn from asset sales in the current year to help reduce Bond Corporation's debts of A$5.2bn.

Bond Corporation also announced yesterday that its stake in the Bell Group had risen to almost 75 per cent from the previously reported 70 per cent as a result of its A$850m takeover.

Golden outlook for mining group

Western's acquisitions are paying off, reports Kenneth Gooding

WESTERN Mining, Australia's biggest mining group, is on course to produce about 1m troy ounces of gold in the current financial year, more than double the 441,000 oz achieved in the 12 months to last June, according to Mr Hugh Morgan, managing director.

Between 150,000 oz and 200,000 oz of the total would come from the four gold mining companies Western Mining recently acquired in North America for A$500m (US$411m).

These would not contribute any significant profit but would provide good cash flow and would just about break even after amortisation, said Mr Morgan. "It will take several years to get the best out of them."

He insisted Western Mining had not been put off its search for further acquisitions in North America by problems with Seabright Resources, which had already forced his group to write off A$80m.

Seabright, a Canadian company, had proved to be "a significant disappointment," its reserves had been dramatically reduced and it was now expected to produce an annual 20,000 oz of gold instead of the previously hoped for 45,000 oz.

Western Mining had started a court action against the previous Seabright management.

Mr Morgan said it was still Western Mining's intention to build up two separate A$1bn businesses in the US and Canada and this would require further acquisitions.

Western Mining was following a conservative "gold capital expenditure protection programme" which involved forward sales or options, said Mr Morgan. "So if the price of gold falls dramatically we would have protected our capital and get a return on it. We have used all market opportunities to do that."

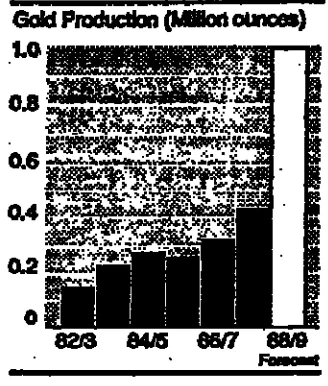
The group had arranged put options covering 2.38m oz of gold at an average price of US$440 an oz and recovered the cost of this operation by selling call options on 1.07m oz at an average of $505 an oz. The London gold price has recently been just over $400 an oz.

Western had also sold forward 104,000 oz of gold at $346 an ounce, another 58,000 oz was due for delivery by the end of this year at $469 an oz and 150,000 oz was to be delivered between 1989 and 1991 at $529 an oz.

Mr Morgan, who was in London to meet investment institutions, pointed out that 60 per cent of Western's gold output remained unhedged. "Shareholders would expect the stock to move in the direction of commodity prices," he added.

Western Mining

Gold Production (Million ounces)



Discussing Western's recent acquisition of a 60 per cent stake in the mothballed Agnew nickel mine in Western Australia from BP Minerals, Mr Morgan said that if a decision was taken to re-open the mine this could be done in six months.

Agnew, closed during the period of low world nickel prices in 1986, had been on "active care and maintenance" so its equipment was all in working order.

The mine previously produced about 10,000 tonnes of nickel a year, but output could be lifted to 25,000 tonnes and be healthily profitable with a price of US$3.50 a lb, Mr Morgan suggested.

Last year Western, the world's third-largest nickel group, produced 41,500 tonnes of nickel. The current London Metal Exchange spot price is above $5 a lb.

Capital investment in Agnew would be minimal because Western in 1978 increased capacity of its Kalgoorlie smelter to toll smelt concentrates from the mine. The group had also under-utilised refinery capacity.

Mr Morgan stressed that Western still had to have talks with MIM, the other partner in the joint venture, before making any decisions about Agnew. However, analysts assume that Western will take management control.

Western is due to add copper and uranium to its portfolio of metals now that its 51 per cent-owned Olympic Dam venture in South Australia has started production. Customers had been found for all the copper and gold from the project, but about 30 per cent of the annual uranium output had still to be sold, said Mr Morgan. Even so, Olympic Dam was a viable project.

He added: "Generally speaking, Western is in very good shape."

Aker says 1988 profits will plummet

By Karen Fossli in Oslo

AKER, Norway's troubled industrial group, says profits will plunge this year to NKr100m ($15.1m) from NKr474m in 1987 despite an improvement in earnings for its offshore division and landbased construction.

Net income in the first eight months of 1988 fell to NKr19m from NKr107m last year. Sales climbed to NKr11.27bn from NKr8.24bn mainly because of acquisitions.

The group's building materials businesses have experienced lower-than-expected sales and earnings, Aker said, which resulted in a 10 per cent fall in construction-related deliveries during the first eight months of the year. Another member of this group of businesses, Joetul, is to have its staff reduced by 700.

Last month Aker announced a radical restructuring of the group in an effort to reduce its NKr8.5bn debt by NKr3bn. Aker Eiendom, the company's property business, is to be spun off and the company's remaining 6 per cent in Euroc, the Swedish building materials company, was sold for NKr318m to earn Aker about NKr200m.

Earlier this year Aker sold another 6 per cent stake in Euroc and talks are underway to sell its 20 per cent stake in the Norwegian Kosmos shipping group, and its 20 per cent stake in Saga Petroleum.

Aker's debt rose significantly this year through the £230m acquisition of UK-based Castle Cement through its joint venture subsidiary Scancem, in which Euroc is a partner.

In the first eight months of 1988 Aker realised gains of NKr188m from the sale of equity investments. At end-August liquid reserves totalled NKr1.59bn, of which NKr950m was unutilised drawing facilities.

Aker was forced to write off NKr195m on a contract it had entered with Statoil for which it under-estimated the scope of the work.

Aker said that for the year as a whole the cement division and the offshore division were expected to show an improvement on 1987 while the construction division would post considerable losses.

● Vesta, the Norwegian insurance group, continued its upward trend to post third-quarter net profits of NKr21.3m compared with losses of NKr534.6m last year. It was helped by a comprehensive restructuring and the sale in June of Nevi, its troubled finance and leasing company, to Bergen Bank for NKr330m.

However, gross operating revenues slid to NKr4.9bn compared with NKr6.6bn because of the Nevi sale.

The group's operating profits before provisions for long-term risk compensation, loan losses and taxes reached NKr99.4m in the period compared with a deficit of NKr80.7m last year.

For the nine-month period losses on loans reached NKr0.7m on total lending of NKr5bn. Vesta said that no major loan losses were expected for the remainder of the year. Group assets increased by 14 per cent to NKr13.8bn in the period.

However, Vesta's holding company experienced an operating loss of NKr84.6m, while the general insurance division had an operating surplus of NKr95.1m compared with a loss of NKr120m last year.

NZ Steel setback for Fletcher

By Dai Hayward in Wellington

NEW ZEALAND regulatory authorities have dampened hopes for an early purchase of New Zealand Steel, the privatised steelmaker, by Fletcher Challenge, the country's biggest company, because of concern that the acquisition would further strengthen Fletcher's dominant local position in steel products.

The ruling, made by the Commerce Commission, in effect also throws a question mark over the related deal whereby Equiticorp, the New Zealand investment company that controls NZ Steel through its 80 per cent-owned Feltrax International offshoot, plans to sell Feltrax to BTR Nylex, the Australian arm of the UK's BTR industrial group.

Feltrax in turn owns 80 per cent of NZ Steel, and a condition of sale was that NZ Steel would be sold on to a third company at a suitable price. Fletcher Challenge is the front runner as purchaser.

Only NZ Steel and Fletcher have New Zealand operations that manufacture galvanised steel and steel billets, a base for many steel products. Fletcher argues that potential imports of these products provide ample competition. The commission is not satisfied and wants to investigate further.

Refusing initial permission means that Fletcher and Equiticorp have lost fast track clearance for the sale. Fletcher must now present its arguments to try to persuade the commission it should be allowed to buy the company.

Whichever company eventually owns NZ Steel will gain a tax benefit of up to NZ$500m (US$311.1m). This would arise from the huge expansion costs at NZ Steel's main mill which, over the past few years, have exceeded NZ$2bn. The concession means NZ Steel will not pay tax for some years.

● Chase Corporation, the New Zealand investment company that is seeking control of Wormald International, the troubled Australian fire protection and security group, has lifted its offer for rights to shares in Wormald for the second time, to 58 Australian cents each from 57 cents, Reuter reports from Sydney.

The three-for-11 rights issue at A$1.50 per share was made to dispose of the 23 per cent holding Wormald acquired in itself through the 1987 takeover of its major shareholder.

Japanese soap maker improves

By Our Financial Staff

KAO, JAPAN'S leading soap maker, lifted pre-tax profits 14 per cent to Y16.21bn ($128.2m) in the six months to September as an expansion of its cosmetics business offset a stagnant market for detergents.

Sales were up 6.3 per cent overall to Y251.4bn. Personal care products contributed 14.2 per cent more at Y87.3bn while household products showed a 5.4 per cent rise to Y102.4bn. Sanitary products dropped 4.9 per cent to Y28.8bn.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 24, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (b) Bankrate rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; [illegible]

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, October 24, 1988

INTERNATIONAL CAPITAL MARKETS

Funding fears hit prices of ultra-long Treasuries

By Janet Bush in New York

THE FOCUS in the US Treasury bond market yesterday was on crude oil prices, as the meetings of two key committees of the Organisation of Petroleum Exporting Countries broke up inconclusively, and on prospects for a long bond issue in next month's quarterly refunding.

On balance, bond prices were marginally lower to unchanged yesterday while the long bond significantly underperformed the rest of the market after news that the passing of a tax bill by Congress had finally given the Treasury the authority to issue new 30-year bonds.

Prices at the short-dated end of the yield curve were unchanged to ⅛ point lower at midsession, while the long bond stood ⅜ point down for a yield of 8.93 per cent.

The prospect of a new supply of Treasury issues in the quarterly refunding seemed to outweigh the bullishness of lower crude oil prices for most of the morning session.

Further mild support for bonds came with a better performance by the dollar, which was quoted towards the higher end of the New York trading range at Y126.90 and DM1.7880. As a steady dollar is crucial to foreign demand at the quarterly refunding, the currency markets will be watched closely. The key economic indicator this week will be third-quarter GNP, together with the implicit price deflator scheduled for release tomorrow.

GOVERNMENT BONDS

LONG MATURITY bonds in the UK government bond market opened about ½ point lower but moved little subsequently. The early weakness was fostered by a 1-point drop in Tokyo trading yesterday in the price of the US benchmark long bond.

Worries about weaker sterling were calmed by what was perceived to be fairly aggressive support for the currency by the Bank of England. Nevertheless, optimism about cuts in UK interest rates, evident last week, has evaporated with the short-sterling contract on Liffe discounting a base rate of slightly over 12 per cent.

Dealers fear the market's main prop – Bank of England buying of stock – may not be much in evidence over the next few weeks. Coupon payments by the Bank of England peak in mid-November – analysts estimate perhaps £1.8bn in coupon payments are made over the peak 30-day period – which could reduce the likelihood that the central bank will be a large buyer.

EARLY STRENGTH in Japanese government bonds in Tokyo, encouraged by a ⅛ point cut in three-month bill rates, disappeared later amid dollar strength. The Finance Ministry is expected to assign a 4.8 per cent coupon to the November issue of 10-year government bonds, the first cut in coupon for seven months. October's issue carried a 5 per cent coupon.

IN FRANKFURT, attention focused on the expected announcement of a new Bund issue this Thursday. The market is anticipating a customary DM4bn of 10-year bonds on which the coupon should be near the 6½ per cent level, with the issue price currently estimated near par to 100½. The most recently issued Bund was fixed 10 basis points lower yesterday at 102.7 to yield 6.38 per cent.

Activity was subdued in the secondary markets with foreign investors generally absent, cautiously watching developments on the foreign exchange markets.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	110-22	-12/32	10.11	9.99	10.40
		8.750	9/97	94-22	-12/32	9.85	9.80	10.01
		9.000	10/08	99-19	-17/32	9.04	8.99	9.38
US TREASURY*		9.250	8/98	102-23	-3/32	8.83	8.79	9.00
		9.125	5/18	101-28	+9/32	8.94	8.87	9.08
JAPAN	No 105	5.000	12/97	102.0107	-0.099	4.80	4.76	5.09
	No 2	5.700	3/07	105.5082	-0.307	5.02	5.03	5.31
GERMANY		6.500	5/98	100.8750	-0.100	6.40	6.44	6.60
FRANCE	BTAN	9.000	7/93	101.4738	-0.039	8.88	8.59	8.57
	OAT	8.500	6/97	98.5500	-0.075	8.73	8.74	8.80
CANADA*		9.500	10/98	98.5000	+0.250	9.74	9.80	10.02
NETHERLANDS		6.500	7/98	101.9750	-0.050	6.26	6.26	6.50
AUSTRALIA		12.500	1/98	104.1688	+0.370	11.74	11.93	11.81

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available–previous day's price
† Only one market maker supplied a price

[illegible]

INTERNATIONAL CAPITAL MARKETS

Tokyo slots key piece into money jigsaw

Stefan Wagstyl examines the Bank of Japan's radical plans for financial reform

Money market reforms announced by the Bank of Japan last week, aimed at reinforcing the central bank's control over interest rates, could eventually lead to the development of a fully-fledged short-term money market in Tokyo.

Such a development would supply one of the most significant missing pieces in the jigsaw of Japanese financial deregulation. In turn, it would encourage the internationalisation of the yen, with important effects on the development of foreign currency markets.

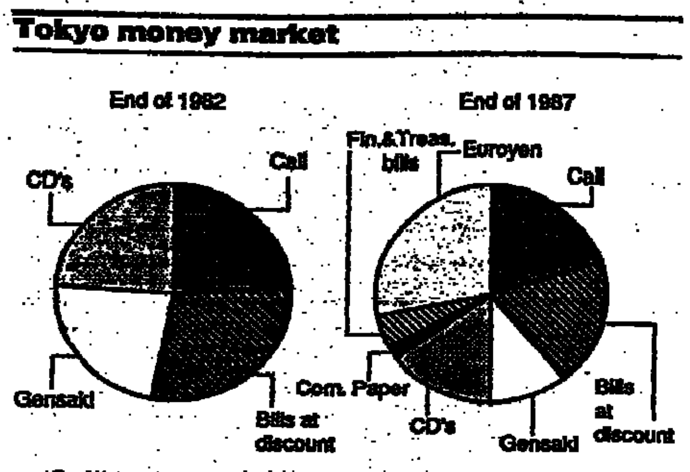
The plans aim to introduce new short-dated instruments into the bill discount market and long-dated ones into the unsecured call money market. In addition, the central bank is considering starting open market operations in the fast-growing commercial paper market.

Like any self-regarding central bank, the Bank of Japan has long been concerned that the process of financial deregulation should not hamper its ability to influence the ebb and flow of money supply.

Inevitably, during the rapid liberalisation of the Tokyo markets in the 1980s there have been times when the bank's staff have felt like workmen forced to surrender their tools.

Older executives remember times in the 1950s and 1960s when the shortage of credit during the period of high-speed economic growth in Japan put the central bank in a position of great strength. In a tightly-regulated market, it could set rates and direct commercial banks' lending policies.

Tokyo money market



This was undermined by the expansion of Japan's financial markets, which had to grow to accommodate the vast amounts of money accumulated by the country's booming industries. The trend has been compounded in the 1980s by financial liberalisation — including the expansion of old markets where the central bank's influence is weak and the creation of new ones, where its role is even smaller.

The bank protests that its powers to issue directives to banks, so-called window-guidance, was never as strong as some commercial bankers made out. Nevertheless, it has carefully expanded its abilities to influence money in other ways — especially through open market operations, for example, through dealing on its own account.

The difficulty for the central bank is that liberalisation is only half complete. The Bank of Japan divides short-term markets into two — the interbank market, where participation is limited to banks and other financial companies; and the open markets, where industrial companies are big participants. In the past seven years, the money outstanding in the open market has risen sharply from 46 per cent of the total to 60 per cent at the end of 1987.

The bank's influence is greatest in the interbank market. This is made up of two separate entities — the call market, where banks lend to each other through six short-term broking companies, called *tanshi*; and the bill discount market, where participants discount bills. A key difference is that the call market is used for extremely short-term borrowing, often overnight, while the discount bill market has been used for periods of one to three months.

The Bank of Japan is now seeking to plug the gaping hole for interbank borrowings of between one-week and one-month duration. According to last week's announcement, the bank plans to start selling one-, two- and three-week discount bills, beginning next month.

In addition, the contract period in the unsecured call market, where foreign banks are particularly active, is being extended from the present three weeks to six months.

The move is to attract money into markets where the central bank's influence is strong from the open markets (principally the Euroyen market) where it is weaker. The hope is that if interbank markets match financial companies' needs more closely, then companies will be more likely to use them.

Meanwhile, the bank is also considering increasing its intervention in the open markets. This began in a concerted fashion last December when it started buying operations in the gensaki market.

The Euroyen market, run outside Japan, is beyond its control. But the Bank of Japan is now considering plans to intervene in the fast-growing commercial paper market.

Bank officials deny any direct connection between the measures announced last week and moves to enhance the yen's role as an international currency, a subject close to the heart of Mr Satoshi Sumita, the governor. Mr Sumita spoke on the matter as recently as last month's annual International Monetary Fund meeting in West Berlin.

However, commercial bankers have pointed out that increased variety in the short-term markets would make it more attractive for foreigners to hold short-term yen instruments.

Mr Keikichi Honda, a director of the Bank of Tokyo, says the new central bank policy will expand the existing market, making it possible to introduce new instruments.

But Mr Honda and others argue that the short-term markets will continue to be less liquid and flexible than those in the US and the UK until a fully-fledged Treasury bill market is created in Japan.

In London and New York, government short-term paper is the cornerstone of the short-term market.

In Japan, the Ministry of Finance issues bills which are sold by the Bank of Japan to institutions. But the yields are artificially low so virtually the only buyers are heavily-regulated Japanese domestic institutions such as agricultural co-operative banks which are awash with funds but limited in the investments they are allowed to make. To make things worse, foreign investors (except governments) have to pay withholding tax.

NTT $250m straight goes well in nervous trading

By Dominique Jackson

A SUCCESSFUL dollar straight Eurobond issue, launched against the background of a fairly volatile and nervous US Treasury and Eurodollar bond market, was testament yesterday to the strength and persistence of demand for correctly priced and well-marketed dollar denominated deals.

Merrill Lynch was the victor in a hotly contested fight to win the mandate for the lead on a 10-year $250m deal for Japan's Nippon Telegraph & Telephone, a deal which was launched at an initial 47 basis point spread over comparable Treasury issues.

With its most recent dollar straights for Italy and Liberty Mutual, Merrill Lynch's syndicate team appears to have exhibited a fine sense of timing. It feels confident enough about demand already identified to bring dollar straight deals at times when other houses might well have fought shy, due to the proximity, for example, of crucial US economic statistics.

Yesterday's deal for NTT was a prime example of a well-executed and properly targeted deal. The borrower, not an over-frequent Eurobond market issuer, commands a high degree of respect and the bulk of the issue was placed within an hour of launch. Consequently, the spread narrowed swiftly and the deal finished the day bid comfortably within its total fees.

The success of the issue also served to illustrate the increased selectivity in the sector, where the outstanding issues of lower-rated US corporate borrowers have taken a hit recently.

Spreads over Treasury issues of many single and double A-rated US companies have widened dramatically in the wake of both the proposed management buy-out of RJR Nabisco and the $11bn takeover bid for Kraft by Philip Morris.

However, dealers were swift to point out that much of the paper which fell into these categories had been on the illiquid desk for some time and that the impact on the rest of the market was expected to be limited.

INTERNATIONAL BONDS

Elsewhere in the market, Hambros was the lead manager on a A$50m three-year deal for the National Australia Bank which appeared to take full advantage of the recent pick-up detected in demand for Euro-Australian issues.

The deal hit pockets of demand in Switzerland and other traditional Continental investor bases for the paper. The lead manager noted encouraging demand from Germany which until recently had been seen as a net seller of the bonds.

The deal was quoted bid at a discount equal to its total fees by the end of the day.

● Yesterday's innovative fixed-rate $100m mortgage backed bond for HMC Mortgage Notes 101 via J.P. Morgan saw enthusiastic demand as the first fixed-rate Eurobond to be backed by UK residential mortgages. The level of interest was particularly encouraging given that the issue was launched against the background of a fairly lacklustre day in the UK gilt-edged market.

This is the first time a fixed-rate bond has been launched with the backing of UK mortgages and, as such, it was expected to prompt a fair degree of interest.

Fixed-rate sterling securities carrying prime credit ratings and such a generous yield pick-up over UK government securities are virtually assured of being well-received by investors at a time when the UK Government is reducing the amount of outstanding gilt-edged securities.

The fixed-rate issue is being swapped into floating-rate sterling and, after allowance for the swap, gives HMC, which to date has already issued almost £500m of floating-rate securities, significantly cheaper funding than is currently available in the floating-rate market.

J.P. Morgan, together with the prestigious co-management group of Baring Brothers, Credit Suisse First Boston and S.G. Warburg Securities, were expected to ensure swift and highly satisfactory placement of the issue.

The deal was well bid at a discount of 1.80, comfortably within its total fees, by the end of the day.

● Switzerland's bourses plan to create specialised market segments for lower-grade securities, according to Reuter.

The Swiss Licensing Office, which reviews foreign securities that apply for public listing, said it would allow stocks and bonds rated lower than BBB to be listed, on condition that Swiss exchanges set up special market segments for them.

Senate backs Bankruptcy Code changes

By Dominique Jackson

THE US Senate has approved legislation amending the Bankruptcy Code to protect the contractual rights of parties to interest rate and currency swap agreements in bankruptcy cases, a step which is expected to assure continued growth in the use of these instruments.

Mr Mark C. Brickell, vice-president of Morgan Guaranty Trust and chairman of the International Swap Dealers Association, a group of 90 global financial institutions, said: "Senate passage of this bill is a major accomplishment and a significant step towards our goal of providing a framework for legal certainty for swap transactions." These were now a key element in world financial markets.

"Final enactment of this measure will help American corporations of varying sizes as they turn increasingly to swaps as a way to hedge risk," Mr Brickell added.

The amendments to the bankruptcy legislation stipulate that parties can close out all transactions immediately following a bankruptcy filing and do not have to keep transactions open in bankruptcy proceedings, that transactions are "netted" to determine a single net termination value, and that ordinary swap payments are protected from preference avoidance actions.

Among those issuing statements of support to Congress for the bill were the Federal Reserve Board, the Federal Home Loan Bank, the Securities Industries Association, the New York Clearing House Association and several US corporations, banks and thrift institutions.

There is no known opposition to the bill.

According to Mr Bradley Ziff, executive director of ISDA: "This year-long undertaking, including the Senate judiciary committee's hearings in June, fostered widespread agreement on the importance of this financial product in the world economy and the benefits of the legislation.

"If, in the remaining days of the current session, the House is unable to act on our bill, we look forward to working with the new Congress in January for its swift consideration and enactment."

Taiwan eases trading curbs

THE TAIWANESE Finance Ministry has agreed to allow US insurance companies in Taiwan to invest in the local stock market, Reuter reports from Taipei.

A statement said the companies could invest up to one third of the funds they raise from their Taiwan branches.

The seven US insurers which have branches in Taiwan are restricted to investing in bonds and Treasury bills. The Government allows up to four new US insurance companies to open branches in Taiwan each year. There are no other foreign insurers in Taiwan.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Footwork Corp.◆	45	(5⅜)	100	1992	2¼/1½	Daiwa Europe
Nippon Tel.& Tel.◆	250	9⅜	101¼	1998	2/1¼	Merrill Lynch
AUSTRALIAN DOLLARS						
Nat. Australia Bank◆	50	14	101¾	1991	1½/1	Hambros Bank
SWISS FRANCS						
City of Vienna◆	75	4⅞	101⅜	2004	2¾/1½	Wirtschafts-und P'bank
City of Vienna◆	75	5	101	2009	2¾/1½	Wirtschafts-und P'bank
STERLING						
HMC M'gage Notes 101◆	100	11⅛	102¼	1993	1⅞/1¼	J.P. Morgan Secs.
FRENCH FRANCS						
BSN‡(a)◆	1.344bn	8	128	1996	3/1½	Lazard Freres et Cie

★Not yet priced. ‡With equity warrants. ◆Final terms. (a) FFr640m of total aimed at international investors.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 24 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Oct 21 Index No.	Thu Oct 20 Index No.	Wed Oct 19 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	819.33	-0.4	10.57	4.09	11.70	22.05	823.00	821.51	820.70	701.81
2 Building Materials (28)	1834.54	-0.1	11.76	4.26	10.49	27.52	1835.25	1833.13	1834.48	877.67
3 Contracting, Construction (38)	1622.75	-0.3	11.49	3.60	11.35	40.49	1627.36	1623.49	1623.47	1271.09
4 Electricals (12)	2335.01	-0.4	8.97	4.65	13.57	64.48	2343.57	2341.92	2344.23	1868.95
5 Electronics (29)	1756.20	-0.9	10.13	3.57	12.70	42.81	1772.38	1772.46	1770.94	1595.55
6 Mechanical Engineering (57)	429.71	-0.5	10.15	4.16	12.08	12.27	432.07	430.33	428.55	367.74
8 Metals and Metal Forming (7)	497.59	-0.5	9.77	3.94	12.65	10.06	500.17	499.11	495.98	385.82
9 Motors (16)	287.12	-0.5	11.73	4.69	9.87	8.12	288.60	286.88	286.50	260.03
10 Other Industrial Materials (23)	1367.86	-0.3	9.69	4.47	12.20	43.06	1371.41	1371.93	1372.16	1175.24
21 CONSUMER GROUP (186)	1093.15	-0.5	9.19	3.66	13.71	21.30	1098.42	1099.38	1098.99	993.08
22 Brewers and Distillers (21)	1160.92	+0.1	10.22	3.56	12.34	23.00	1160.10	1157.00	1155.04	929.55
25 Food Manufacturing (21)	983.83	—	8.98	3.85	14.08	19.54	983.42	982.05	979.42	772.91
26 Food Retailing (16)	1917.64	-0.6	9.19	3.52	14.37	42.23	1928.79	1926.46	1942.07	2010.78
27 Health and Household (12)	1930.02	-0.7	6.72	2.55	17.18	18.01	1943.45	1945.75	1946.55	1702.77
29 Leisure (30)	1401.29	-0.7	8.74	3.67	14.68	30.27	1411.19	1409.19	1412.86	1064.47
31 Packaging & Paper (17)	560.01	-0.6	9.97	3.88	12.78	13.94	563.41	564.31	565.09	510.64
32 Publishing & Printing (19)	3464.61	-0.5	8.30	4.09	15.04	81.40	3482.57	3494.49	3507.76	3311.18
34 Stores (34)	766.13	-0.9	10.98	4.35	12.07	17.70	773.30	778.78	773.64	841.67
35 Textiles (16)	524.38	-0.4	13.23	5.38	8.87	13.02	526.72	525.71	524.74	607.74
40 OTHER GROUPS (92)	915.42	-0.2	11.03	4.39	11.06	22.92	916.90	915.73	914.70	818.85
41 Agencies (19)	1091.14	+0.3	8.07	2.54	15.65	19.25	1088.28	1083.66	1085.41	1088.32
42 Chemicals (22)	1077.15	+0.1	11.85	4.73	10.13	37.50	1075.63	1072.34	1072.24	1021.69
43 Conglomerates (12)	1251.51	-0.4	10.49	4.54	10.91	25.00	1256.50	1255.24	1262.66	1064.78
45 Shipping and Transport (12)	1949.44	-0.6	11.61	4.75	11.27	50.57	1961.13	1964.63	1962.19	1700.70
47 Telephone Networks (2)	975.97	-0.5	11.37	4.56	11.41	20.30	980.71	980.21	983.81	849.74
48 Miscellaneous (25)	1257.89	+0.3	11.22	4.32	10.14	37.24	1254.24	1252.86	1234.62	1159.63
49 INDUSTRIAL GROUP (488)	987.35	-0.4	10.86	3.98	12.94	22.76	991.17	990.75	990.05	879.68
51 Oil & Gas (12)	1723.04	-0.8	10.93	6.46	11.72	76.79	1737.72	1749.27	1764.25	1693.57
59 500 SHARE INDEX (500)	1058.20	-0.4	10.37	4.30	12.25	27.28	1054.91	1055.46	1056.02	948.704
61 FINANCIAL GROUP (123)	699.92	-0.9	—	5.11	—	23.97	706.18	708.49	704.95	626.45
62 Banks (8)	690.63	-1.0	20.32	6.41	6.60	31.13	697.83	701.86	691.60	625.68
65 Insurance (Life) (8)	993.62	-0.9	—	5.34	—	39.31	1003.03	1010.19	1006.39	883.32
66 Insurance (Composite) (7)	533.27	-0.7	—	5.86	—	22.33	537.16	541.39	541.72	486.45
67 Insurance (Brokers) (7)	966.75	-0.9	9.22	6.68	13.60	45.06	975.13	971.91	969.92	914.99
68 Merchant Banks (11)	342.24	-0.3	—	4.30	—	9.20	343.35	341.00	340.24	387.49
69 Property (51)	1229.64	-1.1	5.50	2.70	23.23	17.65	1242.83	1242.38	1242.71	943.190
70 Other Financial (31)	372.96	-0.4	10.29	5.36	12.22	11.66	374.27	373.43	374.34	402.14
71 Investment Trusts (77)	936.99	-0.1	—	3.10	—	15.97	938.16	935.90	936.25	804.39
81 Mining Finance (2)	575.03	-1.2	10.43	3.64	10.40	15.67	581.98	585.72	574.46	393.61
91 Overseas Traders (8)	1342.84	-0.8	9.29	4.57	12.49	40.44	1353.84	1372.10	1352.50	847.18
99 ALL-SHARE INDEX (710)	962.96	-0.5	—	4.39	—	26.02	968.02	969.09	968.26	863.73

	Index No.	Day's Change	Day's High	Day's Low	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Year ago
FT-SE 100 SHARE INDEX ‡	1848.4	-10.9	1856.5	1848.2	1859.3	1864.3	1862.5	1857.0	1860.0	1684.1

FIXED INTEREST

PRICE INDICES	Mon Oct 24	Day's change %	Fri Oct 21	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	119.69	-0.20	119.93	—	9.71
2 5-15 years	137.09	-0.33	137.54	—	11.51
3 Over 15 years	148.21	-0.38	148.78	—	12.64
4 Irredeemables	173.56	-0.35	174.17	—	8.84
5 All stocks	134.17	-0.29	134.56	—	11.10
Index-Linked					
6 5 years	130.29	-0.05	130.36	—	1.81
7 Over 5 years	126.83	-0.69	127.71	—	2.96
8 All stocks	126.91	-0.63	127.72	—	2.85
9 Debentures & Loans	118.30	-0.12	118.43	—	9.40
10 Preference	88.74	+0.18	88.58	—	5.08

AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 24	Fri Oct 21	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.65	9.56	8.86
2	15 years	9.24	9.19	9.25
3	25 years	8.94	8.89	9.07
4 Medium Coupons	5 years	10.05	9.97	9.42
5	15 years	9.47	9.42	9.47
6	25 years	9.17	9.13	9.24
7 High Coupons	5 years	10.18	10.09	9.50
8	15 years	9.59	9.55	9.66
9	25 years	9.23	9.19	9.31
10 Irredeemables†		8.88	8.85	9.87
Index-Linked				
11 Inflation rate 5%	5yrs.	2.82	2.78	3.34
12 Inflation rate 5%	Over 5 yrs.	3.64	3.59	4.23
13 Inflation rate 10%	5 yrs.	1.65	1.61	3.48
14 Inflation rate 10%	Over 5 yrs.	3.47	3.42	4.26
15 Debs & Loans	5 years	11.75	11.63	11.29
16	15 years	11.01	10.96	10.83
17	25 years	10.68	10.65	10.83
18 Preference†		10.16	10.17	10.99

‡Opening index 1848.2; 10 am 1849.7; 11 am 1850.8; Noon 1852.4; 1 pm 1856.0; 2 pm 1855.9; 3 pm 1850.9; 3.30 pm 1851.6; 4 pm 1850.8
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	107	4
Corporations, Dominion and Foreign Bonds	2	31	19
Industrials	281	488	819
Financial and Properties	120	201	348
Oils	18	32	55
Plantations	0	0	13
Mines	28	72	89
Others	83	50	119
Totals	533	981	1,466

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] estimates for 1988. § Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Oct 24
● Last Dealings Nov 4
● Last Declarations Jan 26
● For settlement Feb 6

For rate indications see end of London Share Service

Calls were taken in Dalgety, Mowat, Greenall Whitley, Ibstock, Lambert & Howarth, Brookes Tool, Simon Eng, Lawtex, Mt Charlotte, Lond Int Grp, Bejam, Pentland Inv, Jaguar, Eagle Trst, Mayborn, Blue Arrow, Lonrho, PMI. Put in Wimpey.

LONDON TRADED OPTIONS

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Allied Lyons (*484)	460	24	49	64	1½	18½	27
	500	2½	27	44	19	42	47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov	CALLS Feb	CALLS May	PUTS Nov	PUTS Feb	PUTS May
Plessey (*162)	140	25	27	33	1	3½	5
	160	8½	13	19	5	10	13
	180	2	6	10	19	22	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 24 Total Contracts 27,116 Calls 17,795 Puts 9,321
FT-SE Index Calls 1262 Puts 2029
*Underlying security price.

INTERNATIONAL COMPANIES AND FINANCE

Suter reveals 'unsolicited' takeover approach

By Ray Bashford

SUTER, acquisitive UK mini-conglomerate headed by Mr David Abell, may turn from corporate predator to corporate prey.

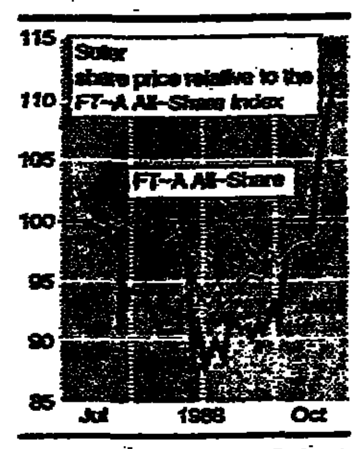
The company yesterday announced it had received an approach which may lead to a takeover. The announcement followed three weeks of active trading in the shares.

The statement spurred trading and shares closed 24p higher at 242p, valuing the company at £285.9m ($500m).

Since 1981, Mr Abell has turned Suter into one of the most hungry mini-conglomerates, building the group into four divisions – distribution, industrial and property – through a series a relatively rapid acquisitions.

But the company's share price dropped sharply last July when the Department of Trade and Industry appointed inspectors to investigate share dealings in two companies associated with the Suter group.

A meeting between Mr Abell and the unnamed public company considering a bid took place last Thursday after an "unsolicited" approach.



A spokesman for Robert Fleming, the investment house which is acting for Suter, said the talks were "extremely preliminary" and that nothing conclusive came out of them.

The sharp rise of activity in the company's shares over recent weeks, during which an estimated 7 per cent of the company's capital has changed hands, forced yesterday's announcement, the spokesman said.

He added that the Takeover Panel, mergers and acquisitions watchdog, was concerned about the lack of information in potential bid situations and so Suter felt it appropriate to inform the market.

The announcement last month of a 66 per cent increase in pre-tax profits during the six months to July 2 from £12m to £19.9m pushed the shares 6p higher to 180p.

Mr Abell said at the time, however, that the company was still undervalued and announced his intention to seek shareholders' approval for a buy-back of up to 10 per cent of the capital. It is understood that there has been no progress on this buy-back plan.

Robert Fleming is understood to speak for 15 per cent of Suter's capital and Mr Abell is the largest private shareholder with 3.5m shares.

Suter's largest takeover came in June last year when it paid £77m for Mitchell Cotts, transport services group, after a contested takeover.

Several Mitchell Cotts subsidiaries have been sold off, which contributed to a reduction in company borrowings.

Lucas Industries advances 28%

By Richard Tomkins, Midlands Correspondent

LUCAS Industries, the UK-based car components maker that has diversified heavily into aerospace and industrial systems, yesterday delivered a 28 per cent increase in pre-tax profits from £114.5m to £146.3m ($258m) for the year to July.

The results were better than expected but Mr Tony Gill, chairman, refused to be drawn on the subject of the bid speculation surrounding the company or on his own takeover targets, and the shares closed down ½p to 580p in London trading.

Lucas sold 19 businesses and bought seven during the year under review as part of its strategy to build up its aerospace and industrial operations.

Acquisitions, nevertheless, accounted for only £8m of the increase in operating profits. The biggest single contributor to the improvement was the automotive division, which increased operating profits from £88m to £106.4m.

Group sales rose 8 per cent from £1.82bn to £1.97bn. Reorganisation and redundancy costs took £14.1m (compared with £17.1m), related companies produced a net loss of £2.7m (against a profit of £5.8m) and the interest charge was virtually unchanged at £22.9m (£22.8m).

Fully diluted earnings per share rose 22 per cent to 73.7p (58.9p) and a final dividend of 15p is proposed, making 21p (15.7p).

Automotive profits were strongest in the UK, where a combination of record car sales and the closure or divestment of poorly-performing businesses produced a doubling in operating profits to £52.8m.

The adverse effect of exchange rates left Continental automotive profits little changed at £34.6m, and elsewhere they shed £3.5m to £14.8m.

Acquisitions helped take North American aerospace profits from £5.5m to £18.7m, but the UK's contribution fell from £33.2m to £30.1m because of development costs, competitive pressures and higher redundancy costs.

The joint venture Thomson-Lucas operation in France cost Lucas £8.8m (profit £1.1m) but Mr Gill said an announcement about the reorganisation of the business was imminent.

The industrial division increased operating profits 87 per cent to £20.8m, aided by six acquisitions during the year. Mr Gill said one effect of these acquisitions had been to make Lucas the world's biggest individual distributor of fluid power equipment.

Lex, Page 38

UK group seeks to buy out Australian subsidiary

By Chris Sherwell in Sydney

CADBURY Schweppes, international confectionery and drinks group which manufactures in more than 30 countries, has joined the lengthening list of British companies which have sought to buy out minority shareholders in their Australian subsidiaries.

The group has made a cash offer, with cash-and-share and full-share alternatives, for the outstanding 38.3 per cent of Cadbury Schweppes Australia (CSA), valuing the subsidiary at A$1.2bn (US$1bn).

It is offering A$8.90 for each share in CSA, or one share plus A$7.30 cash for every four shares, or one share for every two CSA.

This is equivalent to almost 27 times earnings in the case of the cash offer, and 28.3 times for the full share alternative, based on the closing share prices of the two shares in London and Sydney on October 21 – high multiples both by Australian and international standards. The offer is being funded from existing facilities or internal cash resources.

The offer is being made through CS Finance, wholly-owned subsidiary, incorporated in the Northern Territory which operates out of Sydney. It is conditional on no objections coming from the Government's Foreign Investment Review Board.

Cadbury Schweppes, a potential takeover candidate since General Cinema of the US built an 18.4 per cent stake over the past two years, said the deal would give shareholders a chance to invest in the worldwide group. The aim was to build a foundation for expanding in the Asia-Pacific region.

In the year to January 1988, it reported a pre-tax trading profit of A$78.5 (after-tax A$44.2m) on sales of A$970m. A geographical breakdown of Cadbury Schweppes' total results for the period showed its "Australasian and other" interests were more important for sales and profit than Europe or North America.

Clive Cookson describes Philips's fight to stay in television component manufacturing

Making a tube for the 1990s

Colour televisions are one of the few consumer durables that have become cheaper in absolute terms over the last 10 years. Allowing for inflation, the price of a typical 22 in set has fallen by almost two thirds since 1978. Ferocious competition in the worldwide television market has put immense pressure on both the set makers and the manufacturers of the components that go into them.

About half the televisions sold in the UK so far this year were imported, and almost all the sets made in Britain are now manufactured by Japanese multinationals. However, the UK remains a major producer of the most important component, the colour television tube. Philips, the giant Dutch-based electronics company, makes 2m picture tubes a year in the north of England, and Sony of Japan makes 1m in south Wales.

During the 1980s Philips has lost many millions of pounds manufacturing television tubes in the UK. But the company has rejected the idea of pulling out of the market — which would have meant throwing 3,000 people out of work — and is investing about £15m a year to modernise and automate its UK plants. They are now competitive with Japanese manufacturers on cost and quality, and within the last year have successfully diversified into making high-resolution colour tubes for computer terminals.

Tube manufacturing takes place at three main sites in northern England. The Durham factory is responsible for the final production stages, including coating the screens with phosphor and assembling, adjusting and testing. The Washington factory, 14 miles away on Tyneside, specialises in making magnetic deflection units — saddle-shaped wire coils which focus the electron beams on to the screen. The Simonstone plant near Burnley, Lancs, is responsible for the early manufacturing stages; it has a glass factory which makes the tube's front screen and a components factory which makes the electron gun and shadow mask.

Although all three plants have made considerable progress towards automation, Washington is the most advanced. Deflection units are being assembled there on two FMS (flexible manufacturing system) lines, which can make four types of deflection coil at the same time. Each is U-shaped, with a backbone formed by a computer-controlled transport line; the coils move along this on small carriers which are identified by an electronically-readable code.

The first leg of the U has manual assembly stations for jobs still done by hand. The second leg has robotic workstations. Washington has four Asea robots, made in Sweden, which fix the coils' components firmly in place with adhesive and carry out soldering operations, and two Bosch robots from West Germany which work with a computerised photo-diode measurement system to test and adjust the electromagnetic properties of the coils.

The robots are much faster and more accurate than the human operators they replaced, according to the factory managers. Testing and adjusting a coil now takes five seconds instead of 90 and it results in better focused tubes — and therefore superior television pictures.

But the great advantage of FMS lies not so much in the performance of individual manufacturing cells as in the greater speed, flexibility and quality of the whole computer-controlled production process and the consequent reduction in stock levels.

Ken Snell, the Washington production manager, says the quality improvements achieved through FMS "have been beyond our best expectations." The proportion of deflection units needing repair before leaving the factory because of a defect has fallen from 28 to 2 per cent, and the proportion rejected because of an irreparable defect is down from 10 to 1 per cent. The factory automation programme will allow Washington to increase production from 4.5m deflection units in 1987 to 6.5m in 1992, while cutting the cost per unit by about 10 per cent a year.

Colour tubes for computer terminals being coated with "black matrix" at Philips's Durham factory

The trickiest aspect of automating a factory is not so much installing the hardware — computers, robots, transfer lines, machine controllers and so on — as writing the software to make sure it all works efficiently together. The Washington team made the bold decision to design the whole system in-house, building a pilot FMS line for the development work.

Unimpressed by the offerings of outside software houses, the Washington managers got together with engineers and computer scientists from Newcastle Polytechnic. The factory and polytechnic formed a "teaching company" — a scheme sponsored by the Science and Engineering Research Council under which postgraduate students tackle industrial projects. All four students who helped write the FMS software have since joined the plant's permanent staff.

Snell estimates that it took the equivalent of 12 man-years of work to write and perfect the software. "It turned out to be even more trouble than we expected," he says. "When we first started the pilot line it was really chaotic. At one time we had 150 different software problems."

Now that things are running relatively smoothly, Ian Willock, the Washington plant director, says he is pleased that his staff developed their own system, because they really understand how it works and will not be dependent on third parties for future development.

The Simonstone and Washington plants are also investing heavily in automated production machinery, both to improve quality and to cut costs, though they have not yet installed a full-scale FMS line or robots. Even so Barrie Taylor, Simonstone works manager, says productivity is increasing by 12 to 15 per cent a year.

About £30m of the investment has been directly related to the introduction of two new types of picture tube. The 51FS, launched in 1985, is a flatter and squarer shape than the slightly bulbous and rounded traditional television screen. Philips sells variants of the 51FS to all the Japanese-owned television factories in the UK except Sony (which uses its own Trinitron tubes).

The 14 in CMT, introduced last year, is for computer display terminals — and is the only tube of its type manufactured in Europe. It was developed in collaboration with IBM, which wanted a local supplier of tubes for the terminals assembled at its computer factory at Greenock, Scotland. Although most of the CMTs made in Durham go to IBM, Philips is beginning to win orders from other European terminal manufacturers.

The CMT is much more complex to manufacture than a domestic television tube because it has to display high resolution computer graphics. In particular, the screen is coated with a layer of graphite "black matrix" in a clean room before the phosphor is added. The black matrix leaves a hexagonal pattern of round dots, each a tenth of a millimetre across, which gives a much clearer picture than an ordinary television.

Duncan Edwards, director of Philips Components commercial division, says one reason why the company is keen to build up experience of making CMTs is that it will probably use similar black matrix technology to manufacture tubes for domestic high definition television (HDTV) sets in the 1990s. The introduction of HDTV will force the company to spend millions of pounds more on new production machinery. "That's why it is so important for us to make a good return on our current investment," he says.

TELEVISION tube production involves 50 individual manufacturing steps.

A series of electrodes, known as an electron gun, generates three electron beams which are deflected by periodically varying magnetic fields to scan a phosphor-coated screen line-by-line. Each beam hits a different phosphor and makes it glow with a characteristic colour: red, green or blue.

Just before the electrons reach the screen, they pass through a slotted metal "shadow mask" with 500,000 holes, which makes sure that each beam hits only the phosphor for which it is intended. The result is three closely spaced coloured spots that scan across the screen line-by-line to build up an image of the televised scene. Additive blending of the red, green and blue phosphors makes it possible to produce all other colours including white.

A typical medium-size tube costs about £60.

Superconductor advance

RESEARCH TEAMS at Toshiba, the Japanese electronics group, report advances along the road to using the new higher temperature superconductors in electronic circuits.

These superconductors lose their electrical resistance when cooled to liquid nitrogen temperatures, whereas previous materials needed liquid helium systems at very high cost. Superconduction, applied to electronic chips, automatically implies very fast devices with very little power consumption — both vital matters in modern electronics. Ultimately, extremely small, very powerful computers are likely.

Toshiba says it has overcome several problems associated with making the new materials, which are notoriously difficult to handle, into the thin films needed for electronic devices. Its scientists have succeeded in making flat and uniform layers using a sputtering process (basically, depositing the materials from vapour, in a vacuum). Accurate control of the yttrium, barium and copper components gives a film which is immediately superconducting and does not need the customary heat treatment (which can damage the surface). The delicate surface is then protected from the atmosphere by an oxidised silver layer.

The Japanese team has also succeeded in making a switching device using two films separated by an insulator. This exhibits the "superconductor tunnel" effect in which a changing electrical current can produce sudden electrical resistance changes, making it possible to discriminate digital 0 and digital 1, the basic signals of computers.

RSA awards for technology

THE Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) has launched a series of new awards for communications and information technology. More than £20,000 has been raised from industrial sponsors for awards to the winners.

This is a new sector of activity for the RSA and has been established by an advisory group chaired by David Firnberg, a leading figure in the computer industry. The awards will be made in three design areas covering intelligent automatic teller machines, the impact of computer-aided design, and desk-top publishing. Both graduate and postgraduate students will be able to compete. The judges will be looking for original thought and creative ability.

Hard times for network chiefs

A REPORT from the Butler Cox Foundation says hard times are in the offing for those managing information networks in medium and large organisations. UK-based Butler Cox is a European management consultancy in information system strategy.

Managing networks for growth, technology changes, change of use and similar matters, is becoming increasingly significant as banks, airlines, newspapers and many other organisations become ever more dependent on them. But, predicts Butler Cox, adequate hardware/software tools to help manage the networks will not be available for another five years. Meanwhile, many network managers expect their user headcount to grow at 20 per cent a year, in some cases at 50 per cent.

The report says that most managers are forced to use a collection of separate and incompatible network management tools, often dealing with up to 10 different suppliers. An integrated management system is unlikely to appear, says Butler Cox, "until well into the 1990s."

Savings claimed for DOM tubing

WHEELER TUBES of Dudley, West Midlands, has developed a tubing for general mechanical engineering which, it says, will allow savings of 15 to 35 per cent on components where cold drawn seamless tube would normally be used.

The tubing is made from flat carbon steel strip which is continuously formed into tube and electrically welded where the two edges meet. Welding flash is removed inside and out, and then the tube is annealed before being drawn through a die and over mandrels. This accurately sets the outside and inside diameters and gives a product that can be formed or machined with ease by customers.

Called DOM (drawn over mandrels), the process has been applied to tubing for the hydraulic and pneumatic cylinder market for some time. Now Wheeler thinks the general component market could benefit, where items like high speed shafts, many kinds of rollers and a host of machined tubular parts are made. The company claims that DOM tubing can be made to closer dimensional tolerances than seamless tube, which is produced by forging a rotating, hot, solid rod over a piercing point. The seamless tube has unavoidable eccentricities, Wheeler says.

WORTH WATCHING

Edited by Geoffrey Charlish

Taking the strain out of design

MUCH OF the routine drawing and calculation work for mechanism designers can be removed by the use of a software package offered by Desktop Engineering of Oxford for MS-DOS personal computers.

Called PCMEC, the software is suited to any design work involving the interaction of moving parts and sub-assemblies, from cranes to precision scientific apparatus. The user is presented with a choice of components which can be selected and moved into position on the screen with a "mouse" to create the same result as a paper sketch.

After adding dimensions, the user can watch the mechanism running and analyse velocities, accelerations and forces. The software will then optimise the mechanism for a specific result.

CONTACTS: Toshiba: Tokyo, 457 2104. Wheeler Tubes: UK, 0384 76262. Butler Cox: London, 831 0101. RSA: London, 930 5115. Desktop Engineering: UK, 0865 881997.

UK COMPANY NEWS

Plans to dispose of some CIL operations and move explosives HQ from Scotland

ICI to sell Canadian chemicals businesses

By Peter Marsh

IMPERIAL CHEMICAL Industries, Britain's biggest chemicals company, said yesterday that it intended to sell a large slice of its chemicals activities in Canada in a deal that could raise up to C$300m (£142.98m). However, the company was unable to comment on how much it thought the operations were worth.

The businesses ICI wants to sell are part of Canadian Industries Ltd (CIL), the UK company's wholly-owned Toronto-based Canadian subsidiary. They had sales totalling C$475m last year.

ICI said it had no firm ideas about potential purchasers for the businesses. They are mainly in commodity areas of chemicals and in service-linked parts of the chemicals industry in which ICI believes future sales growth will be small.

The operations, which accounted for 26 per cent of CIL's sales last year and employ about 1,800 of the 7,000 total employed by CIL, include: manufacturing and sales activities related to polyethylene for packaging and horticultural applications; sulphur products; chemicals for oilfield services; and a consultancy which specialises in the design of processing plants.

As part of the reorganisation of its Canadian activities, ICI will move the headquarters of its global operations for explosives for mining and quarrying to CIL. They are currently at Ardeer in Scotland, where the company has a large explosives plant. ICI is one of the world's biggest manufacturers of such explosives and had total sales of £339m in this area last year.

After the proposed sales of the specific parts of the Canadian company, CIL will concentrate not only on sales of explosives, but also paints, fertilisers, agrochemicals and chemicals for water treatment and paper processing.

Ms Jinty Price, a chemicals industry analyst at Barclays de Zoete Wedd, London stockbroker, said the moves by ICI appeared logical and fitted in with its thinking in recent years to move into areas of chemicals with higher value in which growth prospects were relatively high.

Another result of the shake-up, through the centring of the explosives operations in Canada, may be to raise the profile of ICI's operations in North America, a region where it is keen to expand. The company has already sited its advanced materials sales and manufacturing operations in the US.

McKechnie up 23% to £34m

By Clare Pearson

McKECHNIE, diversified metals, plastics and consumer products concern, achieved a 23 per cent increase in pre-tax profits to £34m, while turnover rose 25 per cent to £306m, in the year to end-July.

About 60 per cent of the pre-tax profits advance was organic. At the operating profit level, margins improved from 10.5 to 12.2 per cent. High levels of cash spending on acquisitions and capital investment pushed interest charges to £5.68m (£2.53m).

Dr Jim Butler, chairman, said the new financial year had started encouragingly, with strong order books in the UK, which accounts for about 75 per cent of the company's business. He added that he hoped the £14.8m acquisition in August of McCourtney Plastics would herald a major expansion of business in the US, at the moment a tiny percentage of McKechnie's business.

Plastics improved their contribution to pre-tax profits to £9.37m (£6.15m), with the advance arising from a mix of acquisitions and organic growth. Meanwhile, consumer products pushed ahead to £10.57m (£7.43m) – though much of this rise was attributable to a change from 50 per cent to 100 per cent ownership of Fluid Control, a New Zealand taps and plumbers' fittings company.

Pre-tax profits derived from metal products, which comprise extrusions, brass fasteners and steel tubes, fell from £12.06m to £8.12m, partly because of the sale of one of the South African companies.

But in the UK metals were hit by a strike at one of the plants and disruption from integrating two of the factories. The New Zealand operation suffered from the economic depression in that country.

McKechnie is paying for McCourtney in shares, but all acquisitions during the past financial year were funded with cash. Gearing by the year-end had risen by 9 per cent to 35 per cent, but the company aims to reduce this to about 25 per cent this year.

Earnings per share on a fully-diluted basis rose to 29.3p (22.9p). A final dividend of 9.45p (8.2p) is declared, making 13.25p (11.5p) for the year.

● **COMMENT**

With these figures McKechnie retains its position as a well-respected member of the small (but about to be doubled, through the inclusion of British Steel) metals and metal-forming section of the market. Unlike the comparable Glynwed International, the company is chary of announcing specific targets, but its well-managed strategy of acquisitions and internal development continues to deliver above-average growth. Disruption arising from reorganisation of the UK metals side will continue to bite in the first half this year but all the other activities look strong – though obviously a recession would be likely to bite into consumers' purchases of curtain rails, and industrial customers' appetite for plastic components. Assuming pre-tax profits of £41.75m this year, the shares on a prospective p/e of just under 10 are not cheap, but underpinned by a reasonable yield.

Reorganisation and US buy at Smith & Nephew

By Clare Pearson

SMITH & NEPHEW, medical and health care group, yesterday announced a reorganisation at its North American operations which involve the sale of two subsidiaries and the expansion of its surgical dressing operations in the US.

United Medical, Florida-based division of the US pharmaceuticals company Pfizer, is being acquired for $23m (£13.14m) cash, including $3.4m of debt.

The aim of this acquisition, an addition to Smith & Nephew's existing Illinois-based dressing subsidiary, is to strengthen the US sales force. United Medical's profits before tax and interest in the year to end-December were $1.9m and sales amounted to $17.4m.

Separately, Smith & Nephew has reached agreement in principle to sell its Missouri-based division involved in making operating tables and other surgical equipment to MDT Corporation of Californian for $14.7m in cash.

Meanwhile, the Canadian plastics division has been sold, to a group of private investors for C$5.3m (£2.52m), as its injection moulding activities were unrelated to the mainstream healthcare business.

Venture capital company takes 57% stake in BTS

By Philip Coggan

ALAN PATRICOF Associates, venture capital group, is buying a 56.6 per cent stake in BTS, Midlands-based remoulded tyres and replacement battery company, from the Stote family.

Under the Takeover Code, the purchase of such a sizeable stake requires a full offer for the company. APA is accordingly making a cash offer at 65p per share, but will arrange for any acceptances in excess of 75 per cent to be placed in the market.

Mr Alan and Mr Roger Stote took over the running of BTS from their father, Horace, who founded the group in 1962. The company joined the USM in 1985. Its last results saw pre-tax profits drop to £88,000 (£511,000).

Mr Alan Stote will resign from his position as chairman and chief executive (although he will remain a non-executive director) and Mr Roger Stote will resign as deputy chief executive.

A new board will be appointed with Mr Micheal Scorey, an executive director of Rockwood Holdings, as chairman, Mr Janusz Heath as chief executive and Mr Adrian Beecroft as non-executive director.

Priest Marians sells building for £55m

PRIEST MARIANS Holdings has sold a 135,000 sq ft building, the headquarters of the Automobile Association, in Leicester Square, London for £55m cash to an unnamed Dutch company.

Priest bought the lease for £19m in June 1987 and the freehold in May this year for £14.5m and spent £3m on refurbishment.

The group's net borrowings will fall by about £26m, reducing gearing to below 50 per cent. Net cash will rise £28m.

The deal forms part of the group's long-term objectives of releasing resources for the development of its properties north of Oxford Street. It requires shareholder consent and the approval of the supervisory board of the buyer.

Hollis Inds in £2.2m sale of lighting arm

Hollis Industries has sold Eterna Lighting to Denmans Electrical for about £2.2m. Mr Colin Robinson, Hollis chief executive, said that the sale was part of an on-going restructuring programme, designed to establish Hollis as a major group of profitable engineering companies.

Eterna, based in London, N1, assembles, designs and distributes a wide range of basic domestic and commercial light fittings. It has a substantial share of the market for tungsten striplight fittings and is a major supplier of fittings for incorporation into furniture. It became a member of Hollis in 1987.

Hollis was acquired by a management buy-out, led by Mr Robinson, for £105.5m in July this year.

Mr Arnold Denman, Denman chairman and chief executive, said that Eterna would continue to develop independently.

G R Holdings down 27% at £1.58m

G R (Holdings) suffered a 27 per cent fall in pre-tax profits in the year to June 30. The result of £1.58m, down from £2.18m, was on turnover reduced 36 per cent from £21.64m to £13.88m.

The company is involved in property transactions, a health and leisure club, investment, and the processing and merchanting of sheepskins and furs.

Earnings per share were little changed at 47.8p (47.9p). The recommended final of 2p makes a total for the year of 10p (9.6p).

Telephone Rentals unveils a 17% profit rise in bid defence

By Hugo Dixon

TELEPHONE RENTALS, the communications equipment supplier, yesterday announced a 17 per cent increase in interim profits as part of its defence against the £284m hostile bid for the company by Cable & Wireless, the international telecommunications group.

The bid, TR claimed in its defence document, was wholly inadequate and took no account of its "exciting prospects".

TR pre-tax profits for the six months to the end of June were £11.1m, against £9.5m in the comparable period last year. The company argued that this was proof that its strategy for refocussing its business since the liberalisation of the UK's telecommunications markets in the early 1980s was working.

"Cable & Wireless may well have a pressing need to acquire TR's extensive customer base, sales force and nationwide engineering organisation. On the other hand, TR already has a broad, well established and expanding business, and has no need of Cable & Wireless," Sir Charles Ball, the company's chairman, wrote in a letter to shareholders.

Turnover in the first six months was £58.6m (£52.5m) - boosted largely by the buoyancy of the UK telecommunications market. New rental business was 40 per cent up and sales were 53 per cent ahead on the previous year. High levels of new business have continued in the third quarter of the year, the company said.

Profits in the UK showed an increase of 26.1 per cent. But continuing losses in Canada - £707,000 compared with break-even in the previous first half - led to lower profits overseas.

Earnings per share rose 17.6 per cent to 18.09p. The directors have declared an interim dividend of 3.5p, up 16.6 per cent. The company said it was confident of increased profits for the whole year and would bring out a profit forecast if it felt this was necessary.

Mr Stephen Owen, an analyst with James Capel, said the result was in line with predictions and yesterday's closing price of 343p reflected expectations that C&W would increase its 305p per share offer, which expires on October 31. "They are going to lose their independence; it's just a question of the price."

Buckley's Brewery sharp fall

By Nikki Tait

BUCKLEY'S BREWERY, the small Welsh brewery previously controlled by Mr Guy Cramer and Mr Peter Clowes, yesterday released figures for the half-year to July 2 showing profits more than halved to £246,000 (£556,000) before tax.

In the core brewing operations, operating profits were more than £400,000 down at £435,000 (£857,000). However, Buckley's said much of the downturn was due to the impact of property profits which boosted the previous year's figures and expenses of £154,000 incurred in establishing an office in Leeds – Mr Cramer's base. Gross margins, it says, fell only slightly.

Turnover on the brewing side rose from £6.83m to £6.73m in value terms. However, this masked a 3 per cent volume reduction in draught products brewed by Buckley's, while lager sales rose 2 per cent.

The results cover much of the period when Mr Clowes and Mr Cramer were involved with the company. Mr Clowes, who appears to have had little day-to-day involvement, resigned from the board at the end of May and Mr Cramer departed in late-June.

Their 53 per cent stake has now passed to Singer & Friedlander, the merchant bank which helped finance its acquisition in the first place. Singer is inviting tenders for the holding. It is understood that there have been a handful of serious inquiries.

The figures also show a £142,000 operating profit from Buckley's Securities, the securities dealing subsidiary set up shortly after the Clowes/Cramer arrival. This follows a £144,000 loss in 1987. After adding in the additional interest charges incurred through this activity, Buckley's estimates that the operation – now ceased – cost the company about £60,000. Mr Michael Willcocks, chairman, said yesterday that the new board was still looking closely at the way Buckley's moved into securities dealing.

The shop-fitting operations, also added under Mr Cramer's management, contributed an operating profit of £132,000. Interest charges, however, took £459,000 (£240,000) in the first half, and there is a £48,000 exceptional cost for expenses incurred in an abortive offer to buy properties from Grand Metropolitan.

Thornton £1m acquisition

GW Thornton Holdings, USM-quoted precision engineering and computer services concern, is paying up to £1m for Perthcrest. The acquisition brings to the group additional specialist computer services and products combined with a substantial data processing operation.

The initial consideration of £800,000 will be satisfied by the issue to the vendors (Perthcrest's management) of 254,090 new ordinary shares and £365,508 in cash – based on a share price of 171p. Further deferred consideration up to £200,000 depends on performance in 1989 and 1990.

In 1987 Perthcrest made a pre-tax profit of £97,106 (£75,449 loss) on turnover of £1.7m (£2.1m). Net assets at December 31 1987 were £173,263. The vendors have warranted pre-tax profits of £130,000 for the current year.

Joseph Webb in talks on possible offer

Joseph Webb, the family-run holiday, park and property company, is in talks which may lead to an offer for the group.

Directors and their families control about 46 per cent of the equity, so a bid would need to be recommended to have any chance of success. Last year, the group made pre-tax profits of £1.02m; it is capitalised at about £17m.

It is hoped that a further announcement will be made later this week. Webb's shares closed up 9p at 66p.

BCPF/TRIG

The British Coal Pension Funds now control 368.4m shares (about 55.1 per cent) of TR Industrial & General, non-specialist investment trust. The £560.5m offer was declared unconditional on October 6. The rise in acceptances follows a reluctant recommendation to shareholders from TRIG on Friday that they should accept.

Lowland Inv down

Lowland Investment Company reported net assets per share at September 30 down from 248.8p to 180.2p, after taking prior charges at par, or from 247.3p to 179.3p after charges.

After tax of £471,800 (£451,425) net revenue was £1.29m (£1.13m). Earnings were 5.5p (4.83p) and the final dividend is 3.7p making 5.3p (4.5p).

Royal Trust Govt

Royal Trust Government Securities recorded net revenue up from £5.62m to £6.1m for the year to August 31 1988.

Gross revenue came to £6.45m, compared with £5.89m. A fourth interim of 2.25p makes a total of 9.5p (10p).

Net asset value per share dropped from 65.88p to 63.41p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
G R (Holdings) ....fin	2	Dec 15	1.6	10	9.6
Lowland Inv. ....fin	3.7	-	3.1	5.3	4.5
Lucas Industries........fin	15†	-	13.4	21	16
McKechnie ....fin	9.45†	-	8.2	13.25	11.5
Mowat Group§ ....int	0.5	-	-	-	-
Scot Metro Prop ....fin	3.1	—	2.7	5.1	4.6
Telephone Rents.......int	3.5	-	3	-	8.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Boosey & Hawkes, Cohen (A.), English National Inv., FR Group, Forward Grp., Moss Bros., NMW Computers, Rand Mines Props., St. Ives Grp., Value & Income Trust, Vanburgh Currency Fd., Vivat Hldgs., WA Hldgs., Wootlens Betterware.

Finals- Beazer, Cooper (F.), Ensign Trust, Pressac Hldgs., Regina Health & Beauty.

FUTURE DATES

Interims-

Bertram Hldgs.	Oct. 31
Craig & Rose	Oct. 28
Expedier Leisure	Oct. 28
Hewetson	Nov. 28
Lendu Hldgs.	Oct. 28
Polly Peck	Dec. 12
Rechem Environmental Serv.	Nov. 1
Rowe Evans Invs.	Oct. 31
Usher-Walker	Oct. 26
Young & Co's Brewery	Nov. 17
Finals-	
Framlington O'seas Inc.	Oct. 26
Keystone Investment	Nov. 2
UDO Hldgs.	Nov. 2
Wardle Storeys	Nov. 14

Pre-tax profit up, earnings per share up, dividend up...

ALL SYSTEMS ARE GO.

Lucas Industries plc, the major international aerospace, automotive and industrial systems and components group, reports:

	Year to 31 July 88	Year to 31 July 87	up
Sales*	**£1,972m**	£1,820m	**8%**
Profit before tax	**£146.3m**	£114.5m	**28%**
Earnings per share	**79.4p**	65.3p	**22%**
Dividends per share	**21.0p**	15.7p	**34%**

*Including the group's share of related companies.

The fifth successive year of earnings growth.

◆

Earnings per share double those of three years ago.

◆

Further progress in bringing the three sectors into better balance.

◆

A strong base from which to make further strategic advances.

Lucas

Aerospace, Automotive, Industrial Systems and Components.

For a copy of the Annual Report please write to the Secretary, Lucas Industries plc, Great King Street, Birmingham B19 2XF.

UK COMPANY NEWS

Scottish Metropolitan Property advances 37%

By Paul Cheeseright, Property Correspondent

SCOTTISH METROPOLITAN Property, largest of the Scottish-based property investment and development groups, yesterday announced a 37 per cent rise in its net asset value per share to 178.8p.

The rise, which reflects both rental and capital growth and the progressive weeding out and expansion of the portfolio, was accompanied by a substantial increase in earnings and dividend.

The shares rose 8½p to 145p despite the sluggishness of the property sector.

Pre-tax profits for the year to August 15 were £9.26m, compared with £7.8m previously. Earnings per share rose to 6.35p (5.26p).

The recommended final dividend of 3.1p brings total payments to 5.1p. This marks an 11 per cent increase on the previous year and is a far sharper rise than Scotmet has been in the habit of giving.

The payments signal a revival in the group, which has been undergoing radical change. In the late 1970s it started to dispose of properties offering low returns. This decade it started to expand with a development programme directed towards both investment and trading.

The strength of the market helped lift gross rents to £11.47m during 1987-88, from £9.77m the previous year. Further rent reviews this year should add another £780,000 to the rent roll and more than £1m the year after as higher returns from the existing portfolio chime with rent from new developments.

This time Scotmet earned £1.44m – there was nothing the year before – from trading profits from developments at Frimley and Crawley. Trading profits are being used to leaven the earnings mixture while revenue from investment properties builds up. This year they should reach a similar level.

But the group made it clear that trading would be held at a relatively minor level in relation to the total value of the portfolio. Based on internal valuations this portfolio now has a value of £220.6m.

Developments for investment include retail schemes in Dundee and Perth, office developments in Edinburgh, Glasgow and the City of London, while a site for an industrial development has been acquired in Harrow. Recent investment purchases have been made at Edinburgh, Glasgow, Dumfries and High Wycombe.

New £10m trust will invest in NZ market

By Nikki Tait

A £10m New Zealand investment trust – a rare UK vehicle offering direct exposure to the New Zealand market – is coming to the market next week.

A placing of 10m ordinary shares in the newly-formed company was completed yesterday and it is expected that dealings will start next Monday.

The idea of the trust was apparently conceived when Mr Donald Campbell, manager general partner of Hambrecht & Quist Leasing Partners – itself a subsidiary of US-based venture capital specialists, Hambrecht & Quist – attempted to invest some $5m in the New Zealand market on behalf of associates.

Directors of the new trust concede that the New Zealand market was among the worst-hit by the world-wide slump in share prices a year ago. Between its high in mid-September and its low at end-February 1988, the Barclays Index of the New Zealand market showed a 59 per cent fall. That compared with falls of 15 per cent and 24 per cent over the same period in the S&P Composite and FT-A All Share Index respectively.

However, it is argued that, in terms of yield and price-earnings multiples, the market now looks cheap.

The new trust will be administrated by Ian Henderson Associates, a company set up by Mr Henderson in 1986. The investment adviser is Auckland-based NZI Investment Services – part of the large NZI Corporation, now controlled by UK insurer, General Accident.

The initial money raised will go at first into New Zealand government securities. Over the next 12 months, half of these securities will be sold and the proceeds invested in smaller NZ companies, with market capitalisations up to NZ$50m. The estimated net asset backing immediately after the placing is put at 94.7p a share. The trust will also offer a fairly healthy yield – the prospective gross yield at the placing price is expected to be 8 per cent.

In addition, there is provision for the trust to be wound up between November 1998 and April 1999, giving a planned life of about 10 years.

Jersey General continues its move into financial services

By Nikki Tait

JERSEY GENERAL Investment Trust, which was taken over by futures and options broker LIT Holdings earlier this year, is making its second acquisition under the new management. This time, it is acquiring Ashburton Group, a Channel Islands-based investment, cash and currency management group, for a maximum of £6m.

When LIT moved in, it made clear that moves into the financial services sector were planned for JGIT. Earlier this month, JGIT announced a £14.1m offer for Asset Trust, a fund management company run by Mr Brian Banks.

Ashburton specialises in managing money for expatriates and Channel Islands residents. Its funds under management total some £52m, with clients ranging from investment companies and family corporate trusts to private individuals. In 1987, it made profits before tax and extraordinary items of £364,000, and had assets of £230,000.

Once the Asset Trust deal has been completed, JGIT will have funds under management of £230m.

The initial consideration for the Ashburton purchase is £4m – made up of £2.5m cash, £750,000 from the issue of 132,743 new JGIT ordinary shares, and a further £750,000 from the issue of Jersey General convertible redeemable unsecured loan stock 1993. An additional sum, payable in ordinary shares or cash, is due if certain profit targets are met in the two years to end-March 1991. The maximum deferred payment is £2m.

Leigh shares slip after Caird sells 6% holding

By Nikki Tait

SHARES in Leigh Interests, Midlands-based waste company, eased 4p to 238p yesterday on news that Caird Group, the acquisitive waste disposal business, has sold its 6.2 per cent stake.

The 1.66m shares have been sold for £3.18m, netting Caird a profit of about £600,000. Caird says this will be treated as an extraordinary item in its next figures.

Caird purchased a 5.5 per cent stake in March, partly through the market and partly from Guernsey-based William Campbell Investments. It added to the holding last month. The shares have now been placed with institutional investors by Leigh's brokers, Kleinwort Benson, at 230p a share.

Caird said yesterday that the shares had represented an investment in the environmental services sector. However, it now believed its resources were better employed in further acquisitions and by developing businesses acquired recently. Combined with a recent rights issue, the disposal means it has net cash resources of about £18m.

Dealership marks fifth ABS purchase this year

AMERICAN BUSINESS Systems, the USM-quoted company primarily involved in photocopier distribution in the south-east of the US, has announced its fifth acquisition this year.

It is to buy Electronic Business Equipment, a 48-year-old dealership that supplies and services Ricoh and Canon equipment and handles Gestetner and 3M products.

The purchase price is $2.98m (£1.71m) on completion plus a further $3.58m interest-free notes to be repaid over three years.

A $500,000 bonus is also payable if pre-tax profits reach $2m in the year to March 31 1990.

The acquisition will expand the regional base of the group and bring it some additional 12,000 customers.

EBE's pre-tax profits for the year to March 31 1988 were $550,000 on turnover of $25m.

American Business Systems was set up in December 1986 as a result of the restructuring of New Court Natural Resources.

The change of name took place at that time following the $15.5m reverse takeover of Danka Industries when the main business of the company was changed from oil and gas to photocopier distribution.

Danka is the largest office equipment distributor in the south-east of the US.

Royal Bank of Scotland comes under attack

The Royal Bank of Scotland came under attack today for backing the hostile bid by Australian brewery company Elders for Scottish and Newcastle Breweries.

"Scottish and Newcastle are being bought and sold with Aussie gold," Mr Jim Sillars, the Scottish National Party candidate in the forthcoming Glasgow Govan by-election, told a press conference in the city.

And Shadow Scottish Secretary Mr Donald Dewar said he was "appalled and very sad that the Royal Bank was apparently prepared to put up a major share of the cash Elders needed in their bid for Scottish and Newcastle."

Buoyant property market boosts Mowat to £1.6m

STRONG DEMAND in the north west of England as companies move from the south east to Cheshire and Staffordshire helped [illegible] pre-tax profits surge at Mowat Group from £778,000 to £1.6m.

In the six months to September 30 turnover of this USM-quoted property developer rose sharply from £2.23m to £8.12m and earnings per 10p share to 2.58p (0.31p).

The comparisons for the previous half-year have been restated to reflect acquisitions.

A maiden interim dividend of 0.5p is being paid.

Mr Brian Dunlop, chairman, said that on the residential front Peerglow Homes continued to prosper with sales remaining strong despite the increase in mortgage rates. Peerglow Construction had been formed to speed delivery of housing units.

Demand for industrial and commercial developments remained exceptionally buoyant. Units under construction were worth more than £25m.

Racal Telecom offer-for-sale fully subscribed

By Philip Coggan

THE offer-for-sale of Racal Telecom, the company which operates the Vodafone cellular communications network, was fully subscribed. Conventional measures of the level of over-subscription do not apply because of the unusual structure of the offer.

N M Rothschild and Goldman Sachs, the UK and US advisers to the issue, announced yesterday that part of the UK offering would be diverted to the US and Europe in order to satisfy overseas demand.

In total, the US and Europe will absorb 60m shares (30 per cent of the offer) as opposed to the 50m shares (25 per cent) originally planned.

Of the total 200.8m shares on offer, 140.8m will be allotted to UK applicants, 43.4m to US applicants and 16.6m to European applicants.

Racal Electronics was selling a 20 per cent stake in Racal Telecom, in an offer which valued the whole of its telecommunications subsidiary at £1.7bn. The shares were priced on a prospective p/e of 30.5, one of the highest ever accorded to a UK new issue.

The offer was structured in four sections – a pro rata offer to existing Racal shareholders; a small public offer in the UK; and placings in the US and Europe.

Shareholders under the pro rata element, which was easily the largest section of the offer, did not apply for their full entitlements. They applied for 115m of the 150m shares on offer. However, those who applied for more than their entitlements – an excess of 20.8m shares – made up for the shortfall.

Rather than grant the full amount of the excess to existing shareholders, Racal has decided to increase the overseas element of the offer. Accordingly, existing shareholders will be granted just 11.3m of the excess applied for, bringing the total allotted to Racal holders to 126.8m shares.

The public offering in the UK was seven times subscribed. However this was such a small part of the offer – 14m shares or 7 per cent of the total – that oversubscription was scarcely surprising.

In the UK, therefore, applications were received for 252.8m shares, compared with the 150m on offer.

The US and European offers were both placings but demand was found to be sufficiently strong to justify diverting part of the offer overseas.

The basis of allocation in the public offer is as follows: Those who applied for 200 to 400 shares will receive 200; those who applied for 600 shares – 250; applied for 800 – 300; applied for 1,000 – 350; applied for 1,500 – 400; applied for 2,000 – 400; applied for 2,500 – 500; applied for 3,000 – 600; applied for 3,500 – 700; applied for 4,000 to 10,000 – 20 per cent of application; applied for 15,000 – 2,000; applied for 20,000 to 60,000 – 10 per cent of application; applied for 80,000 – 7,000; applied for 90,000 – 7,500; applied for 140,000 – 8,000; applied for 150,000 to 180,000 – 9,000; applied for 200,000 and above – 5 per cent of application.

Under the pro rata offer, the allocations for those Racal shareholders who applied for more than their entitlements is as follows: Those who applied for 200 additional shares will receive 200; applied for 400 will receive 250; applied for 600 – 300; applied for 800 – 400; applied for 1,000 to 1,500 – 450; applied for 2,000 – 500; applied for 2,500 – 650; applied for 3,000 – 750; applied for 3,500 – 850; applied for 4,000 and above – 25.5 per cent of applications.

Dealings in the shares will start tomorrow.

UK COMPANY NEWS

Tesco and Slough in joint venture

By Paul Cheeseright and Maggie Urry

TESCO, supermarket group, and Slough Estates, property company, have set up a joint venture company, called Shopping Centres, to own and operate three of Tesco's retail developments. Further shopping centres could be bought by the new company as they are developed.

Mr David Reid, Tesco's finance director, said the group would receive £75m net from selling the developments to the new company, and this would go towards financing its £450m-a-year capital expenditure programme.

He said that, having weighed up the rents foregone and the interest and rent Tesco would now have to pay against the benefit of the cash, the group's annual profits would be about £2m to £2.5m higher as a result of the transaction. There would also be a one-off property profit in the current year of £6.5m.

However, Mr Reid stressed that the particular attraction of the arrangement was that, unlike sale and lease-back deals, Tesco would retain a half-share in the freehold of the developments and so get some of the benefit of any capital growth in their value. Tesco wanted, he said, to continue its policy of owning freeholds, which account for 65 per cent of its stores.

Mr Roger Carey, development director of Slough, which is the fourth largest of the UK property investment and development groups by market capitalisation, said that while the company's traditional involvement has been in industrial property, it has been diversifying into office and retail property. Indeed it has taken control of Bredero Properties, a specialist developer of town centre schemes.

"This agreement allows Slough to take a 50 per cent interest in three recently-built, quality shopping centres, each with first-class covenants and strong growth potential, thereby expanding its retail investment base," said Mr Carey.

The initial three centres include the new 300,000 sq ft 81-shop development at Surrey Quays, in London's Docklands, which is opening for business today and cost £35m to build. Tesco and BHS, part of the Storehouse group, each have large stores within the centre, which also houses a number of high-street names and a "food court" offering a variety of fast food. There are 900,000 potential customers living within a 20-minute drive of the centre.

The other centres are at Beaumont Leys in Leicester, and Clifton Moor in York. Tesco and Slough are together seeking planning permission for a major retail scheme at Aldenham, near junction 4 on the M1, which could be a fourth development for the new company. All are multi-tenanted centres with Tesco as an anchor store.

The joint venture company will pay Tesco £80m for the first three centres. Tesco and Slough will each put £5m of equity into Shopping Centres, which has also arranged £70m of debt finance.

Kleinwort Benson, the merchant bank, arranged a £48m 10-year non-recourse bank facility with a fixed interest rate of 10.46 per cent. A further £22m in mezzanine finance was provided by Prudential Assurance – comprising a £15m stepped coupon bond and a £7m of zero coupon bond – with a combined yield to maturity of 11¾ per cent.

Texas Homecare buy

By Philip Coggan

TEXAS HOMECARE, part of Ladbroke, the hotels, property, betting and retail group, is to buy Building Scene, a retail chain, from Meyer International, builders' and timber merchant, for £8.75m in cash.

Building Scene has seven stores in East Anglia, with an eighth due to open. Mr Bruce Wright, Meyer finance director, said the decision to sell was unconnected with its unsuccessful bid for Travis & Arnold, during which a 87 per cent stake was acquired for cash.

Gearing would be below 50 per cent following the sale.

Cresta in £15m purchase

By Philip Coggan

CRESTA HOLDINGS, Isle of Man-based group, is making its largest acquisition to date, with an agreed £15m offer for Peregrine, a property company.

Mr Brian O'Connor, Cresta's chairman, said that the acquisition would strengthen the company's balance sheet.

Cresta, which has interests in financial services, property and advertising, joined the main market via an introduction last year.

The Peregrine purchase will involve the issue of 15.8m new shares, around 42 per cent of Cresta's enlarged capital.

COMPANY NEWS IN BRIEF

ALPHAMERIC is to acquire CP International for £300,000 to be satisfied by the issue of 118,873 ordinary shares. In addition, the vendors have been granted options to subscribe for up to 475,492 shares at 250p, exercisable any time over the next two years. CP, with offices in London, New York and Paris is a financial systems supplier.

COMPUTER PEOPLE has restructured its interest in VLM Projects, which becomes a wholly owned subsidiary, and disposed of the principal business asset of that company. As part of these arrangements the company has issued 165,000 ordinary shares, which together with £660,000 cash and £230,000 unsecured loan stock represents the consideration for the minority interest in VLMP. Th restructuring and disposal will result in an extraordinary gain of about £850,000 and the net receipt of £2.4m cash. This will be used to reduce indebtedness.

ESTATES & GENERAL Investments extraordinary meeting approved the issue, placing and open offer of new convertible preference shares and the repayment of the existing preference shares. Applications have been received in respect of 13.52m of the shares and been accepted in full. Mr P Prowting and his family interests have applied for 78.7 per cent of their entitlement and if they were to convert the shares in full would control 55.7 per cent of E&G.

FUTURA HOLDINGS: Bell Houldsworth Fairmount has announced that acceptances have been received in respect of 284,723 ordinary shares, some 37.85 per cent of Futura's capital. Together with shares acquired in the purchase of Lataform Services, Bell now holds 73.94 per cent. The unconditional offer remains open until November 4.

HIGHGATE AND JOB shares were suspended yesterday at the company's request, pending shareholders' approval of reorganisation proposals.

KUWAIT INVESTMENT Office has disposed of its holding of 4.025m ordinary shares in English and Scottish Investors.

LOPEX has acquired Kenny&S Advertising, Dublin-based agency, and plans to merge it with Arks Advertising to form Arks Alliance with combined billings of more than £10m. Alliance International, the international advertising agency network owned by Lopex, is represented in Europe and North America.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Anthony Wieler Unit Tst Mgmt Ltd (1000)F
19 Widegate St, London E1 7HP 01-377 1010

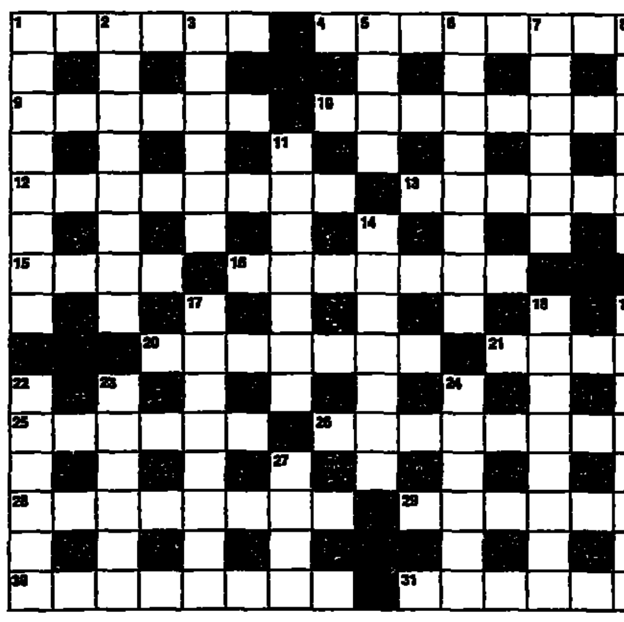
Growth Income	5	103.1	105.5	112.2	..... 1.4
Do Accum	5	145.0	148.3	157.7	..... 1.4
Quarterly Income	5	50.84	52.88	56.26	..... 7.0

Arkwright Management (1400)F
1 King St, Manchester M60 3AH 061-832 0242

Growth Oct 18	5	93.74	93.74xd	99.72	..... 2.18
Income Oct 18	5	47.54	48.27	51.35	..... 4.79

CROSSWORD

No. 6,768 Set by FRESCA



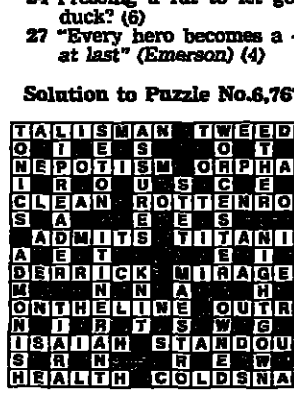
ACROSS

1 and 4 Mathematician's memorial in London to a mug in Germany (6,8)
9 Give in fast to engineer (6)
10 Fresh air – some surrounding model's spray (8)
12 Most spacious or most chaotic that is entered (8)
13 Record-holder half asleep the night before (6)
15 Fail to make standard (4)
16 A jolly lot of musicians going round 13 (7)
20 Splashed about Yugoslav lake after fish (7)
21 Cliff's acting award, nothing less (4)
25 Land – burning! (6)
26 Frank accepts flower: a diplomatic move (8)
28 Company celebrity a bundle of nerves? (8)
29 Censure for worker allowing strike-breaker in (6)
30 Kept distant? (8)
31 Soaks quietly in river on Sunday (6)

DOWN

1 The skill required to take it up? (8)
2 Ointment taken by mouth in Scottish castle (8)
3 With detectives in pursuit, dashed off (6)
5 Not much of a letter from Greece (4)
6 Technique of selecting one small tree out of a thousand (8)
7 Short oriental festival (6)
8 Trapped in corner vestry with the jitters! (6)
11 Assign article to writer (7)
14 Comply with notice (7)
17 Graduate musician takes part standing up (8)
18 Spot on copper kept in a box (8)
19 They mourn always dressed in grey in France (8)
22 1 down shed a suspender, we hear (6)
23 Chums take out such wicked people! (6)
24 Pressing a rat to let go of duck? (6)
27 "Every hero becomes a — at last" (Emerson) (4)

Solution to Puzzle No.6,767



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Barclays Life Assur. Co Ltd—Contd.

Clerical Medical Managed Funds Ltd
15 St James's Sq, London SW1Y 4LQ 01-930 5474

Prices on October 19 Unit dealings on Wed.

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD 01-248 9861

Black Horse Life Ass. Co Ltd
Mountbatten Hse, Chatham, Kent. 0634 834000

Combined Insurance Co of America
15 Wheatfield Way, Kingston upon Thames, Surrey KT1 2PA. 01-546 7733

Commercial Union Group
St Helen's, 1 Undershaft, London EC3 01-283 7500

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	55.1	58.1	-0.2	-
[illegible]	52.8	55.6	-0.2	-
Equity Fund	57.1	60.2	-0.2	-
International Fund	49.4	52.1	-	-
European Fund	51.3	54.1	+0.1	-
North American Fund	46.2	48.7	-0.2	-
Pacific Fund	58.9	62.1	-0.4	-
Property Fund	66.5	70.0	-	-
Fixed Interest Fund	53.1	55.9	-0.3	-
Index Linked Sec Fund	53.7	56.6	+0.2	-
Deposit Fund	54.6	57.5	+0.1	-
NUAM Retirement Plans				
Managed Fund	58.9	61.9	-	-
UK Ordinary Share Fd	66.5	70.0	-	-
International Fund	50.6	53.3	-	-
Property Fund	64.6	68.0	-	-
Fixed Interest Fund	57.4	60.4	+0.1	-
Index Linked Sec Fund	54.7	57.6	+1.0	-
Deposit Fund	58.6	61.7	-	-
NUAM (MF)				
Managed Fund	751.8	791.4	-2.6	-
Equity Fund	1489.8	1568.3	-8.1	-
Property Fund	414.4	436.3	+0.1	-
Fixed Interest Fund	392.1	412.8	-2.0	-
Deposit Fund	223.3	235.1	+0.1	-
International Fund	128.7	135.5	-0.1	-
Index Linked Sec Fund	54.0	56.9	+0.3	-

Norwich Union Life Insurance Soc.

PO Box 149 Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Linked Pensions				
[illegible]	107.28	112.82	+0.12	-
Managed Fd	118.77	125.03	-0.01	-
UK Equity Fd	123.08	129.56	-0.05	-
International Fd	120.21	126.53	-0.13	-
European Fd	115.69	121.78	+1.74	-
North American Fd	117.54	123.73	-2.18	-

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pacific Initial		61.0	-1.5	-
Technology Initial		81.3	-	-
Nat Resources Initial		48.8	+0.3	-
Japan Growth Initial		185.5	-0.2	-
European Initial		72.2	+0.1	-
Residential Prop Init		127.6	-	-
Swiss Exe Inv Initial		33.5	+0.3	-
Hong Kong Initial		42.8	-0.4	-
UK High Inc Ed Init		61.3	-0.7	-
Int Fixed Interest Init		49.2	-0.3	-
Int Managed Init		47.1	+0.2	-
Broker Fund				
[illegible] Mngd Fd Acc	47.2	49.7	-0.3	-
High Performance	61.7	65.0	+0.3	-
TRA Extra Inc Fd	78.2	82.4	-0.3	-
Investment Master		38.8	-	-
N F Speciality Fd		112.0	-	-
E High Inc Mngr Fd		103.1	-0.1	-
E Global Growth Fd		103.1	-0.1	-
FEP Amer [illegible]		101.6	-0.2	-
AAFS Int Man Fund		100.7	+0.1	-
Individual Pension Funds				
UK Equity Acc	209.1	220.6	-2.3	-
UK Fixed Interest Acc	163.3	172.3	+0.5	-
Intl Equities Acc	168.3	177.6	+1.0	-
UK Managed Acc	152.0	160.3	-	-
Property Acc	187.2	197.5	-	-
Money Acc	114.6	120.9	+0.1	-
Special Market Acc	134.0	141.4	-0.3	-
Japanese Acc	219.7	231.8	-0.7	-
North American Acc	111.2	117.3	-2.6	-
Pacific Acc	137.5	145.1	+3.2	-
Technology Acc	130.2	137.4	-	-
Natural Resources Acc	93.9	99.1	+0.7	-
Japan Growth Acc	254.6	268.6	-0.2	-
European Acc	87.5	92.3	+0.2	-
Residential Prop Acc	124.6	131.5	-	-
Swiss Exe Inv Acc	33.4	35.3	+0.3	-
Hong Kong Acc	42.2	44.6	-0.2	-

Royal Heritage Life Assurance Ltd – Contd.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pension Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Life Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

The Analysis Group PLC

Ashville Insurance Brokers (Life & Pens)

Atticus Financial Services Ltd

Blackstone Franks Plc

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere Investments Ltd

Clifton Financial Mgmt Ltd

Drummond Moore Plc

First Financial Services PLC

The Fitzroyale Group

Garimore Fund Managers Ltd

Hinton Hill (I. & F) Ltd

Hargreaves Lansdown

Knight Williams & Company Ltd

Lowe & Jones Plc

M & E Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Portfolio Group

Roxburgh Financial Management Ltd

Shore (Albert E.) & Co

Tattersall Investment Mngt. Ltd

Torry Law & Co

University Medical General Ltd.

J. E. Ward Financial Services Ltd

Ward Consultancy

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

UK LISTED

Allied Dunbar International Fund Mgrs.

The Baring Fund

Brazil Capital Services Ltd

Capital House Fund Mngrs. (C.I.) Ltd

CMI Financial Mngmt Services Ltd

Capital House Fund Mngrs. – Contd.

Cater Allen Investment Management

Citibank (CI) Ltd

CIBC Trust Company (Jersey) Ltd

Equity & Law International Fund Mgrs Ltd

Foreign & Colonial Mngmt (Jersey) Ltd

Framlington Bermuda Fund Mngt. Ltd

FT Management Plc

Guinness Investment Ltd

Gartmore Investment Ltd

Global Asset Management Corp.

John Govett Mngmt (International) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Hellenic Scandinavian Fund Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

Ivory & Sime (Guernsey) Ltd

Ivory & Sime Pensiondis Inc

Jardine Fleming Inv Mngt Ltd

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Lloyds Bank (CI) U/T Mgrs

MIM Britannia International Limited

Minerals, Oils Res. Shs. Fd. Inc.

NM Schroder Financial Mgmt Intl Ltd

PPC International Portfolio Fd Mgmt Ltd

Prudential-Bache Fund Mngmt

Royal Trust Fd Mgt Ltd

Save & Prosper International

The Slim Fund (Channel) Ltd

Tyndall International Ltd

The Yield-Core Fund Ltd

Warburg Investment Mgmt Jersey Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star International

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank supports sterling

A TECHNICAL rally by the dollar, and Bank of England support for sterling, lifted some of the weight off both currencies yesterday, but the underlying trend still looks unfavourable for the dollar and uncertain for the pound.

Heavy selling of the dollar before the weekend appeared to leave the US currency oversold and liable to a technical recovery on short covering.

Trading in sterling against the D-Mark tended to dominate market attention, and at the European close the dollar was generally on the sidelines, finishing firmer on the day at DM1.7865 from DM1.7805; Y126.75 from Y126.35; SFr1.6145 from SFr1.5075; and FFr6.1050 from FFr6.0850.

On Bank of England figures the dollar's exchange rate index was unchanged at 95.4.

Sterling touched a low of around DM3.12, in early European trading. It recovered as the Bank of England stepped into the market to buy the pound against the D-Mark. Later in the day there was further intervention by the authorities, also against the D-Mark, but at a higher level of around DM3.13.

Opinion in the City suggested the foreign exchanges may have overreacted to the lack of a specific commitment to defend the pound in last week's Mansion House speech of Mr Nigel Lawson, the Chancellor. The general view was that intervention will continue to be used if required, and yesterday's action was a strong signal to that effect.

It was also pointed out that Mr Lawson did not say he would raise interest rates to push the pound higher, but there is no reason to believe he will not do so, although this is considered to be less attractive than intervention, because of the impact on domestic mortgage rates and on the UK retail prices index.

Nonetheless, sterling remains supported by the prospect of high interest rates in the forseeable future, but the other side of the coin shows the concern in financial markets about the UK balance of payments deficit. Although the deterioration in Britain's trade position has been apparent for some time, it is only recently that the Government has admitted there may well be a problem until 1990.

A group of economists, known as the Ernst and Whinney Independent Treasury Economic Model Club, forecast yesterday that the UK annual current account deficit is unlikely to shrink below £13bn before 1992, and that inflation will touch almost 7 p.c. next year, before falling back.

The September UK trade figures will be published on Thursday, and are expected to show little or no improvement over the August visible trade deficit £1.8bn, and current account shortfall of £1.3bn.

Sterling weakened yesterday, but finished above the day's lows. It fell to DM3.1300 from DM3.1375, and lost 1 cent to $1.7525. The pound declined to Y222.25 from Y222.75; to SFr2.6550 from SFr2.6575; and to FFr10.7000 from FFr10.7250. Sterling's exchange rate index fell 0.4 to 76.0, after touching a low of 75.9.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Weaker in active trading

TRADING WAS active in short sterling futures on the Liffe market yesterday.

December delivery traded over 20,000 contracts, while weakening to 87.89 from 88.07, after touching a low of 87.85.

Dealers suggested there are two large traders with long positions in short sterling after heavy buying last week, but in general the market is probably moving short.

There is a strong technical support point at 87.80, and this appears likely to hold at present, particularly since the authorities are believed to be reluctant to put up interest rates again.

A rise in bank base rates is likely to have an impact on mortgage rates, pushing up the retail prices index, and feeding through to the labour market, at a time when several major wage negotiations are imminent.

Long gilt futures also traded around 20,000 contracts, but looked technically weak, according to dealers. The December close of 96-22 was only just above a chart support point of 96-20. If this is broken there is likely to be further resistance at 96-16, but then a fall to 96-00.

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7525	1.7469	1.7377	1.7241	1.7055

IMM-STERLING $s per £

	Latest	High	Low	Prev
Dec	1.7410	1.7418	1.7386	1.7510
Mar	1.7286	1.7290	1.7260	1.7390
Jun	1.7190	-	1.7150	1.7274

SWISS FRANC [illegible]

SFr 125,000 $ per SFr

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	-	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

London rates firm

THERE WAS a general firming of interest rates on the London money market yesterday, as sterling came under pressure and received support from the Bank of England.

Nervousness ahead of Thursday's UK trade figures for September, and speculation that base rates could go up again if the current account deficit continues to be sold, pushed the interest rate structure higher. Three-month interbank rose to 12 13/16-12 11/16 p.c. from 12⅛-12 p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England initially forecast a money market credit shortage of £400m, but revised this to £550m at noon, and back to £400m in the afternoon. Total help of £456m was provided.

Before lunch the authorities bought £278m bills outright, by way of £3m local authority bills in band 4 at 11½ p.c., and £275m bank bills in band 4 at 11½ p.c.

In the afternoon another £68m bills were purchased, through £25m bank bills in band 3 at 11¾ p.c., and £43m bank bills in band 4 at 11½ p.c. Late assistance of around £110m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £620m, with Exchequer transactions absorbing £225m. These outweighed a fall in the note circulation adding £425m to liquidity, and bank balances above target of £5m.

In New York the Federal Reserve added $1bn of temporary reserves to the banking system via customer repurchase agreements, when Federal funds were trading at 8⅛ p.c.

In Frankfurt call money eased to 4.75 p.c. from 4.85 p.c., comfortable credit conditions, helped by a lower than expected October requirement for banks' reserve holdings at the Bundesbank.

The central bank requires banks to hold an average of DM53.9bn this month. The market was expecting no change from the September figure of DM54.5bn.

The Bundesbank is likely to hold a securities repurchase agreement tender this week, as DM12bn drains from the banking system tomorrow with the expiry of an earlier pact. An unchanged fixed rate tender of 4.25 p.c. is expected.

Money supply growth remains outside the official target range, but dealers expect a reasonably generous allocation of funds this week, and no tightening of monetary policy by the authorities, against the background of the underlying strength of the D-Mark.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.24) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8 11/16	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	7.28	Three year	8.47
Broker loan rate	9¼-½	Two month	7.34	Four year	8.53
Fed.funds	8¼-⅜	Three month	7.71	Five year	8.56
Fed.funds at intervention	8⅜	Six month	7.99	Seven year	8.73
		One year	8.18	10-year	8.83
		Two year	8.40	30-year	8.94

Oct.24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.75-4.90	4.75-4.90	4.90-5.05	5.00-5.15	5.00
Paris	7¼-7⅜	7⅞-8	8-8⅛	8⅛-8¼	8¼-8⅜	7.25
Zurich	1⅝-1⅞	3⅜-3⅝	-	3⅝-3⅞	-	-
Amsterdam	4.00-4.25	5.21-5.31	-	5.30-5.40	-	-
Tokyo	3.90625	4.21875	-	3.28125	-	-
Milan	10⅛-10⅜	11-11½	-	11⅛-11⅜	-	-
Brussels	7.50	7⅜-7¼	-	7¼-7⅜	-	-
Dublin	7½-7¾	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7½-7¾	-

LONDON MONEY RATES

Oct.24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	11⅞	12	12 3/16	12⅛	11 13/16
Interbank Bid	11¼	11⅝	11⅞	12	12	11 11/16
Sterling CDs	-	-	11 15/16	12⅛	12	11¾
Local Authority Deps.	11¾	11⅞	12	12⅛	12⅛	12
Local Authority Bonds	-	-	12⅛	12¼	12¼	12 1/16
Discount Mkt Deps.	12	11¾	11⅝	11⅞	11⅞	-
Company Deposits	-	-	11⅞	12	12	11¾
Finance House Deposits	-	-	11 15/16	12⅛	12	11 13/16
Treasury Bills (Buy)	-	-	11 13/16	11 13/16	-	-
Bank Bills (Buy)	-	-	11 15/16	11¾	11 7/16	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	12⅛	-
Dollar CDs	-	-	8.30-8.25	8.55-8.50	8.60-8.55	8.75-8.70
SDR Linked Dep Offer	-	-	7¼	7⅜	7⅜	7½
SDR Linked Dep Bid	-	-	7	7⅛	7¼	7⅜
ECU Linked Dep Offer	-	-	7⅜	7⅝	7⅝	7 11/16
ECU Linked Dep Bid	-	-	7⅛	7½	7½	7 9/16

Treasury Bills (sell); one-month 11⅝ per cent; three months 11 9/16 per cent; Bank Bills (sell): one-month 11 13/16 per cent; three months 11 11/16 per cent; Treasury Bills; Average tender rate of discount 111.5483 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Sept.30, 1988. Agreed rates for period October 26,1988 to November 25, 1988, Scheme I: 13.12 p.c., Schemes II & III: 13.41 p.c. Reference rate for period Sept.1,1988 to Sept.30, 1988, Scheme IV&V: 12.234 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from October 1, 1988; Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

EUROPEAN OPTIONS EXCHANGE

[illegible]

BASE LENDING RATES

[illegible]

OBITUARIES

Colley (Gerald) Peacefully at Durban, South Africa on Oct 19. 79 years. Sadley missed by his family in Cornwall, Jersey & South Africa and friends worldwide R.Colley 07[illegible]

LONDON STOCK EXCHANGE

Equities dip below FT-SE 1850 level

UK EQUITIES made a nervous start yesterday to a trading week which presents a number of challenges to investment confidence. Further weakness in sterling, raising fears that domestic interest rates could be forced higher, unsettled share prices and pushed the FT-SE Index below 1850, which has been regarded as a significant testing level.

Investment interest was thin, however, and with several of the major bid situations on hold, traders complained of having little to do.

The City expects September's UK trade figures, due on Thursday, to show little if any improvement from the £1.3bn deficit on current account recorded for the previous month. Today brings the latest survey of business opinion by the UK Confederation of British Industry, and tomorrow the US third quarter GNP figures.

The pound's recent weakness has added a further cause for uncertainty in an equity market as yet unsure that high domestic interest rates have succeeded in stemming inflationary pressures.

Equities opened sharply lower yesterday, with an early reading of the FT-SE Index at 1848. A small "buy" programme, together with a larger programme of both "buys" and "sells", resulted in a modest rally which took the Index briefly above the psychologically important 1850 mark. Genuine investment business then died away, and traders trimmed their books ahead of this week's list of economic data.

At the close, the FT-SE Index was a net 10.9 down at 1848.4. Seaq volume remained brisk at 464.5m shares, against 484.2m on Friday, but incorporated substantial inter-marketmaker trade. The lack of genuine investment interest was reflected in turnovers of well below 1m shares in such major names as Beecham and Plessey.

ICI was a firm feature as the market turned increasingly optimistic ahead of the group's third quarter trading figures due on Thurday. British Gas, however, remained unsettled by last week's adverse pricing ruling from the UK Monopolies Commission, while oil shares *shaded lower as the inconclusive* Opec talks brought lower crude prices.

A new offer worth $20bn for RJR Nabisco in the US was a talking point, but trading activity in UK food stocks slackened. Consolidated Gold Fields closed easier as the Office of Fair Trading submitted its report to Lord Young, the UK Minister who must make the all-important decision on whether to send Minorco's £2.9bn bid before the UK Monopolies Commission: today the market expects a UK Stock Exchange decision on Gold Field's call for a temporary halt to the bid pending the outcome of a Department *of Trade and Industry enquiry* into pre-bid share deals.

Account Dealing Dates		
*First Dealings:		
Oct 17	Oct 31	Nov 14
Option Declarations:		
Oct 27	Nov 10	Nov 24
Last Dealings:		
Oct 28	Nov 11	Nov 25
Account Day:		
Nov 7	Nov 21	Dec 5

*New time dealings may take place from 9.00 am two business days earlier

Racal TG ready for launch

There was growing excitement over Wednesday's flotation of the 20 per cent stake in Racal Telecommunications Group (RTG); allocation details yesterday revealed substantial over-subscription of the offer. Trading in RTG commences at 1.30 pm on Wednesday to coincide with the opening of Wall Street.

Racal Electronic shares mirrored the overall performance of the equity market generally, easing back to close a couple of pence off at 304p; turnover was a disappointing 1m.

Dealers were confident that RTG shares will open at a premium to the 170p offer price, but said that estimates of a premium of as much as 50p were "excessive" – a 10p to 15p premium would be a good performance" said one. Details of the results of the offer, which will raise some £340m for Racal, showed that there were 38,000 applications for 252m shares under the UK public offer and shareholder offer.

However, analysts are slightly more uncertain over longer-terms considerations for RTG shares. Patrick Wellington and Iain Johnston at County NatWest say: "RTG shares are likely to prove unexciting in the medium term", adding that "they could even drift below the 170p offer price."

BAT calculations

The Kohlberg Kravis Roberts counter of a $90 offer for each RJR Nabisco share compared with management's proposed buy-out terms of $75 had analysts immediately re-calculating their estimates of BAT Industries' assets.

Mark Duffy of Warburg Securities now reckons non-tobacco assets to be worth £9.1bn and "the inclusion of tobacco interests would add at least another £4bn on the basis of the RJR exit multiple to cash flow." Mr Duffy believes the total estimated value of BAT is 570p per share. "It ends the popular assumption that BAT cannot be bid for," he continues.

Fresh investment buying lifted BAT shares to 470p before enthusiasm faltered and the price edged back to 466¼p, only 2¼ firmer on the day. Volume amounted to 3.5m shares.

RHM revival

Banks Hovis McDougall (RHM) found itself back at the centre of attention in the Foods Sector as manufacturers were jolted by the hostile bid for RJR Nabisco. In turnover of 3m shares, RHM rose 8 to 392p, after touching 395p at one stage.

Dealers cited a number of stories in connection with the rise. Interest in RHM began to pick up last Friday when there were rumours that Goodman Fielder Wattie, the Australian group which recently failed with a takeover bid when it was referred to the Monopolies & Mergers Commission, was offering its 29.9 per cent stake for tender.

Yesterday there were stories that Goodman Fielder had succeeded in placing its stake for as much as 420p per share. One specific story said that the stake had previously been offered to the US company Kraft, which turned it down. Several analysts expressed doubts, saying there was no evidence that the Goodman Fielder stake had been sold. They also pointed out that at least part of yesterday's rise could have been fuelled by investors squaring positions taken in the options market last week - unusual interest was reported in out-of-the-money call options, which were bought in size.

Shadow over BAe

An unconfirmed report that Government inquiries were to be re-opened into the British Aerospace purchases of both Royal Ordnance and Rover Group following recent newspaper revelations dampened buying interest for the shares. The group has since dismissed the allegations as "totally inaccurate and irresponsible".

The market yesterday, however, ignored news of staff recruitment to cope with increased production at Rover plants. Honda has asked for an additional 10,000 units of the five-door version of R8 (Concerto), but the shares still reacted to close 10 down at 486p.

The oil and gas sector was given another shaking, this time after the inconclusive outcome to the weekend meeting in Madrid of OPEC's Pricing and Strategy Committee. The reaction of crude oil prices to the OPEC news was immediate with Brent crude for December delivery dipping off sharplky to end the day around the $12.35 a barrel mark, well below pre-weekend levels.

But dealers said that turnover in the sector, apart from British Gas, was again at minimal levels – "apathetic" was the description offered by one trader. "We should have been given a much more severe jolt by this news, but little in the way of selling pressure has transpired" he said.

British Gas, on the other hand, came in for a further bout of selling as the Sunday press commented on the Monopolies Commission report on industrial gas pricing. Gas shares were on offer all day and eventually settled another 2⅛ off at 161⅞p with turnover at 8.2m shares; prior to the MMC report Gas were changing hands around the 175p level.

International stocks were under-exercised, failing to sustain any improvement in sentiment, although turnover in some stocks remained at last week's good levels. ICI gained 8 to 1069p as 1.4m shares changed hands. Dealers said the stock was responding to good press comment ahead of the third quarter figures due on Thursday and also reported considerable interest in the ICI convertible bond.

Blue Arrow earned the distinction of the day's most heavily stock - volume rose to 12m shares - following widespread domestic and US demand. Speculation of a full takeover or a management buy-out at the US Manpower subsidiary has taken hold since the rush of leveraged buy-outs began recently on Wall Street. The shares gained 2¼ more to 100¼p.

The role of Suter, usually the hunter, may turn to that of quarry. The group yesterday announced a bid approach from an unnamed predator and saw its shares jump 24 to 242p. Metal Closures, in which Suter holds a 29 per cent stake, rose 8 to 210p.

The unwelcome offer from PLM of Sweden pushed Redfearn up 17 to 533p. OVS Investments, which recently invited tenders for its near-30 per cent holding in Redfearn, intends to accept the terms offered of 545p per share. Wassall slipped back on reports of the group being near to expanding further by a fresh takeover or an acquisition and closed 10 down at 234p. Brown & Tawse replied to stakebuilding speculation with a rise of 5 to 190p, but profit-taking lowered Macarthy 14 to 235p and Lodge Care 7 to 211p.

Lloyds Bank were persistently sold and settled a net 8 lower at 330p, albeit on much reduced turnover of 1.5m, after talk of institutional opposition to the proposed deal with Abbey Life.

The biggest trading stocks in the electronics market were British Telecom and GEC. The former took the honours with 6m shares traded as the stock eased a fraction to 243p – "good two-way business," a trader said. GEC, where 5.5m changed hands, were sold off to 186p, but subsequently rallied to end the session a net 2½ easier at 187½p.

Cable & Wireless eased 5 to 396p on turnover of almost 2m shares after Telephone Rentals(TR) where Cables is currently bidding 305p a share in cash, issued its defence document. TR's chairman rejected C & W's bid as "wholly inadequate" and highlighted TR's "unique" status as the only significant independent British company dedicated to the supply and maintainance of business communications systems. TR shares closed 3 up at 343p.

Stores stocks went with the market in very thin trading. Lloyds Chemists, up 7 at 152p, was a rare performer, still benefiting from positive reaction to its acquisition of the Allens chain from Next. "It would be difficult to imagine a more complimentary fit than Lloyds and Allens," said County NatWest WoodMac.

Food manufacturers were mixed, with Northern Foods rising 6 to 291p and Unigate up 5 to 291p, helped by a slight shortage of stock. Cadbury Schweppes fell 6½ to 378p with dealers reporting plenty of stock in the market.

Leisure companies continued to provide features. Mount Charlotte attracted good turnover again, falling 3 to 168p, after 166p. An estimated eight per cent of the company's equity was traded last week, adding fuel to the speculative fires which dealers think signal predatory interest. Sir Ron Brierley is thought to have increased the 2m-share stake he declared last week, while another buyer has not been ruled out.

Pleasurama fell 2 to 227p after the cessation of hostilities against successful bidder Mecca Leisure. Some 9.4m shares were traded as investors and analysts pondered the shape of the combined group.

Lucas, the Midlands motor and aerospace components group, rose a halfpenny to 591p after pleasing the market with annual profits up 28 per cent to £146.3m. The poor performance of the shares after beating most expectations was put down to the less-than-exciting statement which accompanied the figures and the general sluggishness of the market. As one dealer put it: "On a better day the shares would have ended above 600p."

The return of interest worries and a technical correction put an end to the recent good run in Property stocks. All the leaders were distinctly off colour, with Land Securities 11 easier at 571p, MEPC 9 lower at 560p and Rosehaugh 9 weaker at 633p. "Everybody had a reason not to deal today," complained one marketmaker.

Scottish Metropolitan were an exception, gaining 8¼p to 145p after revealing annual profits up from £7.8m last year to £9.6m. The results, in particular the new net asset value of 178.8p (130.3p last year), were well above most forecasts.

Priest Marians held their own, closing just a penny weaker at 408p after announcing the sale of 48 Leicester Square – currently the home of the Automobile Association - to an anonymous Dutch buyer for £55m in cash.

Mountleigh remained under selling pressure after weeks of bad press comment. "Without a management buy-out or bid the right price for Mountleigh is 130p," said one disgruntled dealer. The shares ended 5¼ lower at 159p.

The purchase of a near-1¼ per cent stake by Greathey Investments at 400p per share put Mersey Dock & Harbour units 24 higher to 410p. Greathey Investments is a wholly-owned subsidiary of private concern Largs Ltd, the major shareholder in publicly-quoted Peel Holdings which owns 10 per cent of Mersey Docks' units.

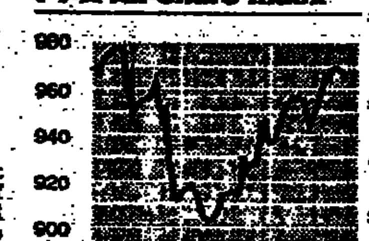
Lonrho's demand that the inspectors' report into the Al-Fayed acquisition of House of Fraser be published immediately because of alleged leaks to a national newspaper ensured fresh publicity for the group. The news, however, failed to excite the marketplace where interest was the smallest for many weeks.

Polly Peck also eased to 307p, despite County NatWest WoodMac saying that: "With the price trading above the theoretical ex-rights level of 305p, we believe the market's fears and the misconceptions prevalent ahead of the issue have been allayed."

Glimpses of activity characterised dealings in traded options, as turnover totalled 27,116 contracts, made up of 17,795 calls and 9,321 puts. The total ran about 10 per cent below the average of mid-summer, and bid and reorganisation stocks were again the mainstays of turnover. British Gas attracted 890 calls and 1,735 puts, largely in puts at the exercise price of 160, for October and March expiry, almost on the closing price of 162p, down 2p. Turnover in index options totalled 3,291 contracts, made up of 1,262 calls and 2,029 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

FINANCIAL TIMES STOCK INDICES

	Oct. 24	Oct. 21	Oct. 20	Oct. 19	Oct. 18	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.78	89.05	89.15	89.37	89.21	89.88	91.43 (18/4)	85.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.70	97.75	97.75	97.62	97.52	93.42	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1499.4	1509.3	1512.5	1513.2	1509.5	1307.1	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	167.1	170.2*	172.2*	174.9	178.4	350.5	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Di. Yield	4.67	4.60	4.60	4.57	4.59	4.67
Earning Yld %(full)	11.78	11.56	11.54	11.52	11.58	11.50
P/E Ratio(Net)(☆)	10.30	10.47	10.49	10.52	10.46	10.68
SEAQ Bargains(5pm)	23,939	26,291	28,484	28,195	28,163	57,989
Equity Turnover(£m)†	-	1120.80	1384.76	1393.78	1175.46	1493.72
Equity Bargains†	-	26,599	26,781	28,312	28,163	78,322
Shares Traded (ml)†	-	414.9	452.2	519.6	483.1	650.2

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1499.6	1500.3	1502.4	1503.5	1505.8	1505.3	1501.4	1501.6

DAY'S HIGH 1505.8 DAY'S LOW 1499.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, *Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.20 †Excluding intra-market* business. * Corrected figure.

S.E. ACTIVITY

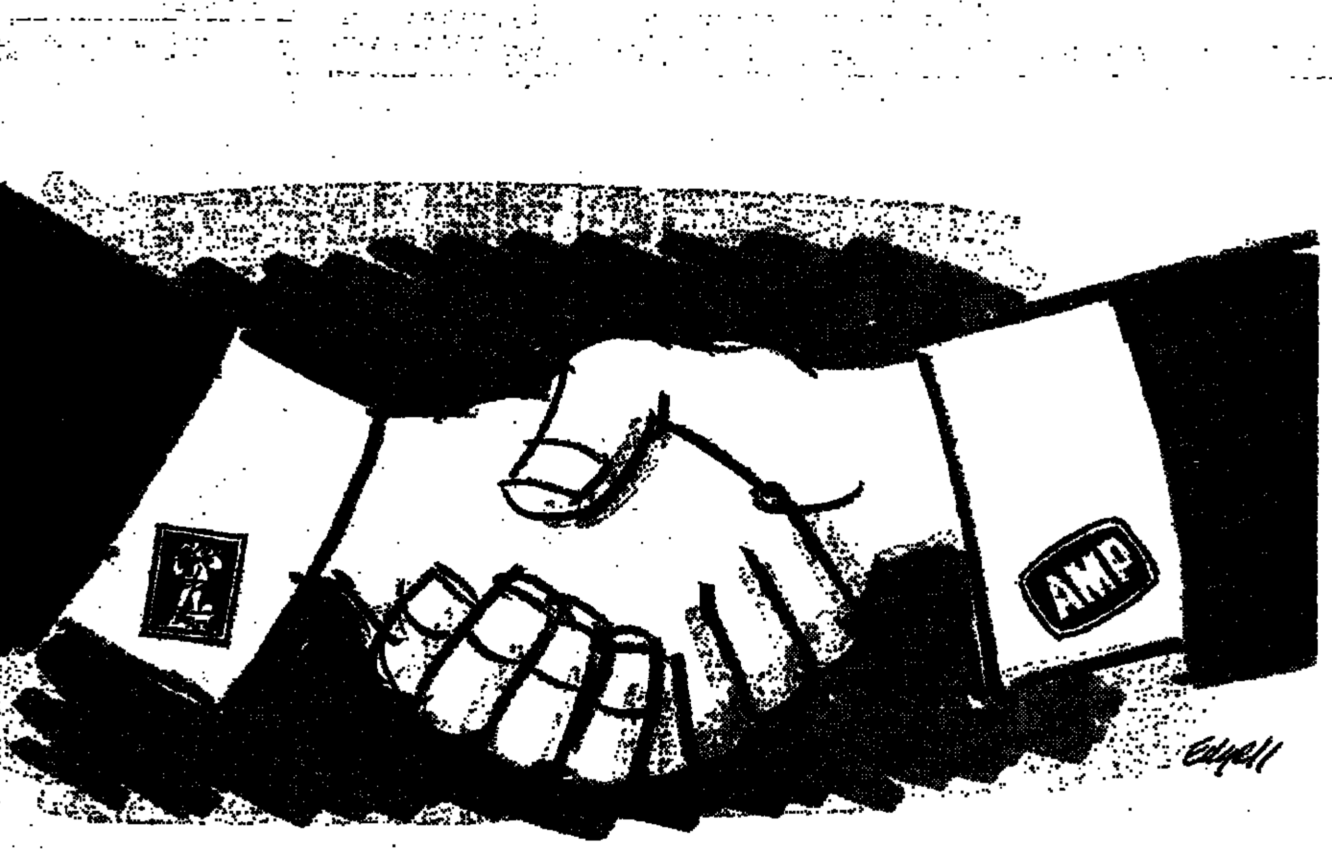
Indices	Oct. 21	Oct. 20
Gilt Edged Bargains	121.4	94.9
Equity Bargains	172.3	173.5
Equity Value	2265.4	2798.4
5–Day average		
Gilt Edged Bargains	118.1	115.4
Equity Bargains	179.2	184.1
Equity Value	2456.5	2519.4

● *London Report and latest* Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,800	152½	-2½	Commercial Union	378	340	-4	Ladbroke	1,300	453		Rothmans	1,100	440	+1
Abbey Life	8	298		Cons. Gold Fields	1,300	£12⅝	-⅛	Land Securities	528	571	-11	Royal Bk. of Scotland	143	399	-4
Allied-Lyons	902	408	-2	Cookson	556	274	-2	Laporte	693	405½	-3½	Royal Insurance	1,300	386	-7
Amstrad	586	204	-2	Courtaulds	72	382	-2	Legal & General	577	312½	-3	STC	439	291	-1½
Argyll Group	1,900	178		Dalgety	277	334	-2	Lloyds Bank	1,500	330	-8	Saatchi & Saatchi	237	345	-3
Ass. Brit. Foods	36	335	-2	Dixons	1,900	145	-2	LASMO	817	504	-9	Sainsbury	255	204	-1
BAA	1,200	281	-1	Eng. China Clays	380	509		Lonrho	3,400	364	-7	Scott & Newcastle	1,800	400	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (43).

AMERICANS (6) BankAmerica, CPC Int'l., Loew's, RJR Nabisco Inc., Sara Lee, CANADIANS (2) BCE, Seagram, BANKS (2) C'tgm. Hol., Joseph (Leo), BUILDINGS (1) Waltz Stake, CHEMICALS (2) Akzo, Chemoxy, ELECTRICALS (3) MTL Instruments Grp., Prestwick 7¼pc Prf., ENGINEERING (6) Atlas Conv. Eqp., Wagon Ind'l., Weir Grp., FOODS (3) Everest Foods, Kraft Inc., Normans Grp., HOTELS (2) Friendly Hotels, Queens Moat 7pc Cnv., INDUSTRIALS (6) Elkem, GR Hldgs., Macfarlane Grp., Marling Ind., Nobo Grp., Sothebys Hldgs.Inc. Class 'A', INSURANCE (1) Steel Burrill, LEISURE (2) Aveaco, Webb (J.), NEWSPAPERS (2) Assoc. News, Independent, PROPERTY (2) Green Prop., Scot. Metrop., TRUSTS (7) American Tst. 'B', Cont'l. Assets Wrrnts., Eng. & Int'l. Tst., Do. Wrrnts., European Assets, Moltrust, Murray Smllr. Mids. 'B', MINES (1) Anglesey Mining Wrrnts.

NEW LOWS (29).

BUILDINGS (1) Epwin Grp., CHEMICALS (1) Thurgar Bardex, ELECTRICALS (3) Feedback, NEC Corp., TDK Corp., FOODS (3) Acatos & Hutcheson, Barker & Dobson, Sims Food Grp., INDUSTRIALS (2) J.S. Pathology, Kelsey Inds., PROPERTY (1) Property Tst., TEXTILES (1) Lowe (R.H.), TRUSTS (1) Perpetual, OILS (2) British Gas, Kalt 6pc Cnv. Prf., MINES (8) Bracken, Doornfontein, Hartebeest, Western Areas, Loraine, Jason Mining, THIRD MARKET (1) Pennine Optical.

APPOINTMENTS

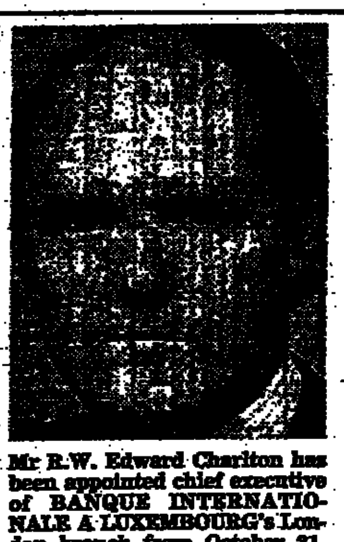
Coalite Group changes

■ Mr Brian M. Ashall has been appointed a director of COALITE GROUP from November 1. He will continue as managing director of Coalite Fuels and Chemicals. Mr Brian Cooper, a group director, has been appointed to the board of Charringtons Industrial Holdings. He is chairman of Coalite's environmental division. The general manager of the Coalite chemical refinery, Bolsover, Derbyshire, Dr Michael Locke, has been appointed to the board of Coalite Fuels and Chemicals.

■ Mr David Rosier has been appointed chairman of MERCURY ROWAN MULLENS, private client and charities arm of Mercury Asset Management Group. He was deputy chairman. Mr Michael Jodrell has been appointed vice chairman.

■ Mr John O'Brien has joined M.A.I. as an executive search director. He was vice-president human resources at Holiday Inns International.

■ Mr Christopher Hill, building maintenance manager, has been appointed to the board of MANSELL (WESTMINSTER).



Mr R.W. Edward Charlton has been appointed chief executive of BANQUE INTERNATIONALE A LUXEMBOURG's London branch from October 31. He succeeds Mr Geoffrey Gould who is retiring and who becomes a general adviser to the bank in London. Mr Charlton was an executive director with Banque Paribas, London.

■ BRYANT GROUP has appointed Mr Nick Mason-Jones to the group board and as managing director of subsidiary Bryant Properties from January 3. He is a director of Trafalgar House Developments.

■ Mr Edward Shaw will join the board of MONARCHY FOODS as an executive director when he leaves his present post as general manager, packaged grocery buying, for the Co-operative Wholesale Society.

■ THE STANDARD LIFE ASSURANCE COMPANY has appointed Mr Alan Forbes as assistant general manager (research and planning). He was senior investment manager, responsible for fixed interest and UK equities.

■ Mr Colin Dawson has been appointed director/general manager of LEISURE SPORT, part of the RMC Group, which owns and operates Thorp Park. He was group marketing manager.

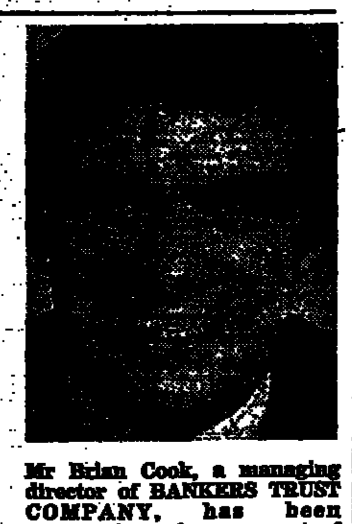
■ Mr Peter J. Baker has been appointed a director of MARLEY PROPERTIES, Marley Property Investments, and Marley Developments.

■ HEATHER CAMERON FOODS, meringue maker, a subsidiary of John J. Lees, has appointed Mr Michael Burnham as production director designate. He was factory general manager of Youngs Scottish Seafoods.

■ Mr Stephen Beer has been elected to the main board of CLAYFORM PROPERTIES.

■ GULF GUARANTEE BANK has appointed Mr Jeffrey Bell as managing director. He was deputy general manager at Jordan International Bank.

■ HEALEY & BAKER FINANCIAL SERVICES has appointed two directors: Mr Bryan Laxton, an associate of Healey & Baker; and Mr Stephen Mundy, formerly with Hillier Parker and N.M. Rothschild.



Mr Brian Cook, a managing director of BANKERS TRUST COMPANY, has been appointed to the new post of senior administrative and compliance officer for the bank's Europe, Middle East and Africa region. He will also act as general manager of the London branch.

■ Mr John N. Coppard has been appointed a manager within Capital Leasing, part of BRITISH LINEN BANK. He joins from Royal Bank Leasing. Mr Ewan Jeffrey and Mr Colin Kilpatrick, managers, have been appointed directors of British Linen Fund Managers.

■ Mr Alan Folkard has been appointed managing director of BASE-SYS GROUP, a subsidiary of Zygal Dynamics.

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	43¾	[illegible] Inc. $1	67[illegible]	+1[illegible]	$1.00	–	0.9
21[illegible]	15[illegible]	[illegible] $1	20[illegible]	+[illegible]	$1.94	–	5.4
[illegible]	14[illegible]	[illegible] PINSVA Corp	15[illegible]		64c	–	2.4
[illegible]	15[illegible]	[illegible] $1	16[illegible]	+[illegible]	$1.20	–	4.4
24[illegible]	17[illegible]	[illegible] Technologies	23[illegible]	–	$1.60	–	3.9
34[illegible]	25[illegible]	US [illegible]	32[illegible]	–	$2.52	–	6.3
24[illegible]	16[illegible]	Waste Management $1	24[illegible]	+[illegible]	48c	–	1.2
16[illegible]	12[illegible]	Whirlpool $1	15[illegible]	+[illegible]	$1.10	–	4.2
33[illegible]	28[illegible]	Woolworth $3½	32[illegible]	+[illegible]	$1.64	–	2.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

هكذا اصل الأصل

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

1988 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
60	33	Propeller 1p.......y	40	......	-	-	-	23.2
63	61	Rentaminster 5p...y	61	......	a1.0	4.3	2.2	14.3
237	150	Royal Sovereign 10p.y	220	+2	¶4.6	1.9	2.8	20.6
26	22½	Scott Pickford 10p....y	22½	......	3.1	0.7	18.4	11.7
116	68	Seacon Hldgs.......y	101	......	21.0	-	1.3	-
15½	9½	Sonic Tape 2½p....y	10	......	0	-	-	13.1
27	18	Stala Hldgs. 5p....y	21	......	-	-	-	24.9
4½	2¼	Swanyard Studios 1p y	3¼	......	-	-	-	♦
308	200	Takare..............y	308	......	b1.0	8.1	0.4	31.6
70	41	Theme Holdings.......y	66	......	♦1.1	♦	2.2	♦
36	26	Tomorrows Leisure 20p y	28	......	-	-	-	♦
25	13½	Tullow Oil 10p.....y	28	......	-	-	-	-
135	110	UPL Group 10p.......y	112	......	L2.41	4.3	2.9	15.2
182	120	Ualt Group..........y	158	-3	5.0	2.9	4.4	8.5
125	85	Video Tape Rec 5p. y	110	......	L2.3	2.3	2.8	15.8
6	2	Wilton Group........y	4	......	-	-	-	-

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▮ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend; cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	71	......
Craig & Rose £1.. y	690	-10
Finlay Pkg. 5p.... y	85	-1
Holt (Jos) 25p.....y	£11⅝	......

IRISH

Cap. 8½% Ln. 1991...	£99½	......
9pc Cap Ln. 1996..	£103¼	......
Fin. 13% 97/02...	£123¼	......

Arnotts..............y	395	......
Carrol Inds..........y	165	......
Grafton Grp.........y	144	+4
Hall (R. & H.)..........	154	-2
Helton Hldgs.........y	68	......
Irish Ropes..........y	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met.	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	38
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	38
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

Ivory Coast to continue cocoa withholding policy

By David Blackwell

THE IVORY COAST, the world's biggest cocoa producing country, is this season to continue with its policy of withholding its crop from the world market in order to push up prices.

The announcement, made at the weekend, helped to push cocoa prices higher on the London Futures and Options Exchange (Fox) yesterday morning. By the close, three-month cocoa was £814 a tonne, a rise of £14 on last Friday.

The Ivory Coast launched its withholding policy for the 1987-88 cocoa year, ended September 30, when prices tumbled in spite of purchases by the International Cocoa Organisation (ICCO) to top up its buffer stock. The buffer stock reached the maximum permissible level of 250,000 tonnes in February.

The ICCO agreement is now paralysed. Talks last month failed to agree on a level of prices to be defended, and in addition the organisation is fast running out of funds.

Earlier this month President Houphouet-Boigny ruled that the Ivory Coast, now under constant pressure to reduce its foreign debt, would not cut the price it pays its peasant farmers to produce cocoa for the 1988-89 season. This is despite the fact that world prices are about 450 CFA francs a kilogram while the cost to the Caistab, the Ivory Coast marketing board, is about 700 CFA francs a kilogram.

Since then France has promised to help the country financially if an acceptable solution can be found. But it will insist on genuine concessions from the Ivory Coast, although not necessarily on the cocoa price alone.

There is no doubt that the Ivory Coast's policy is working in the short-term, for the top quality cocoa it produces is in great demand from Western chocolate manufacturers. Ivory Coast cocoa already in European warehouses commands a premium of £400 a tonne, or 50 per cent of the market price.

However, the Ivory Coast is heading for a fourth consecutive record crop for 1988-89. Some estimates are for more than 700,000 tonnes. Last season produced 640,000 tonnes.

While consumption is increasing, it is not growing anything like enough to soak up the increase in world cocoa production. And Western consumers are now looking at ways of using more Malaysian cocoa, which is cheap and widely available, although it has a higher acid content and is not so suited to Western tastes.

Prices on the futures market have not fallen as fast as analysts were predicting after the failure of September's ICCO talks, although some still expect £600 a tonne in the New Year.

"There are so many stories and rumours – so many conflicting – that it is difficult to see the wood for the trees," said one analyst yesterday.

Talks begin on tin sales curbs

THE ASSOCIATION of Tin Producing Countries began a two-day meeting in the Nigerian capital yesterday determined to control supplies and to persuade non-members Brazil and China to join the association, reports Reuter from Abuja.

Mr Bunu Sheriff Musa, Nigeria's Mines, Power and Steel Minister, said in his opening address that the main concern of the meeting would be to review supply controls aimed at countering problems of low world demand.

Existing controls run out in February 1989 but delegates said they were confident an extension of six or 12 months would be agreed.

Low tin consumption and the activities of non-member countries were also problems to be faced, Mr Musa said, adding that efforts would continue to try to persuade China and Brazil to join the ATPC.

"From my own point of view anybody who wishes a quick recovery from our predicament should co-operate because to do the contrary would be a disaster for all of us," Mr Musa said later.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes	
Aluminium standard	-11,325 to 37,825
Aluminium high grade	-4,300 to 92,050
Copper Grade A	-7,850 to 79,225
Lead	-1,900 to 62,625
Nickel	+18 to 1,938
Zinc	-575 to 18,250
Tin	-690 to 9,230
Silver (ozs)	70,000 to 15,136,000

The 7-member group agreed export controls for 1987-88 and 1988-89, after prices fell sharply in a glutted market following the collapse of the International Tin Council price support in October 1985. It agreed to limit exports to 96,000 tonnes in 1987-88 and 101,900 tonnes in 1988-89. Non-members Brazil and China also agreed to export curbs.

But Brazil – which expects to produce 40,000 tonnes of tin in 1988 – is believed to be seeking an increase in its quota, which is 26,500 tonnes for 1988-89. Mr Musa said specific country quota allocations would be discussed in Abuja.

"Prices have slumped down to about half of what they should be and there is too much stock overhanging," he added.

The ATPC has estimated present stocks at around 40,000 tonnes and wants to cut that figure to 20,000.

A senior official in the association's secretariat, said most of the issues had already been thrashed out during a meeting of the ATPC Executive Council last week and there was a general consensus on what needed to be done.

Brazil and China are attending the ministerial conference as observers.

"We intend at this meeting to make our case again for them to become formal members. . . They may have their difficulties but we would like to hear from them what stops them from being members," Mr Musa said.

A member of the Chinese delegation said: "Each country has its priority and right now it is not the priority of China to join the association."

The ATPC comprises Malaysia, Indonesia, Thailand, Australia, Zaire, Bolivia and Nigeria.

China in Pakistan copper mine deal

AFTER 15 years of negotiations with western companies, the Pakistan Government has signed an agreement with the China Metallurgical Construction Corporation (MCC), to develop Saindak Copper Mines, Pakistan's biggest mineral project, writes Christina Lamb in Islamabad.

The Chinese first showed an interest in the project last year after Pakistan had declined an offer from a consortium of Romanian, Finnish and French companies to develop the mine on a turnkey basis.

Construction, at a cost of $180.77m,is due to begin next year and is expected to take four years.

Resource Development Corporation, the Pakistan state agency will provide infrastructure at the site, while the Chinese will provide machinery and technology.

The mine is expected to produce 15,810 tonnes copper, 1.6 tonnes of gold and 2.7 tonnes of silver a year, as well as providing 1,000 jobs in the underdeveloped area of Baluchistan.

Turkish farmers look towards Europe

FARMER'S VIEWPOINT

By David Richardson

AYDIN ERKAN owns 150 acres in and around the village of Osmanbuku in western Turkey. He supervises a further 350 acres in the same area for various relatives who have inherited parcels of land because Turkish law insists that property be divided between all the children in a family.

A few generations back Mr Erkan's family owned 15,000 acres but now it has been split up. As he concedes Turkish farms are becoming smaller each year as a result of the Moslem-inspired law. A census in 1980 revealed that 80 per cent of all agricultural holdings in Turkey were less than 2 acres and land reform is one of the country's major problems.

As we stood in his farm yard, with the yield from this year's cotton harvest stacked in bales all around us, there was a timely reminder of the influence of the Mosque. Over a loudspeaker in the minaret nearby, the village Iman issued the midday call to prayer.

Mr Erkan ignored it, presumably out of politeness. For although he looked European and spoke cultured English, learned at an English public school, he is a Moslem and 97 per cent of his country is in Asia. Only Thrace, the relatively small area to the west of Istanbul and the Bosphorus, is in Europe.

A descendant of Turkish aristocracy – he can trace his ancestry back through the period of the Ottoman Empire to the 13th century – Mr Erkan is tall, bespectacled and wears a modest moustache. He told me about his farming alongside the Menderes river, which, because of its ever changing direction along the wide valley, was the origin of the word meander.

The soil is alluvial, deep and very fertile. It can also be flood-irrigated from the river and the Turkish Government is half way through major engineering works to improve access to the water via a network of new canals. As with many other similar projects across Turkey, including one in southern Anatolia claimed to be as big as Holland, completion is being delayed by severe problems in the economy. Indeed the high cost of such ambitious projects is one of the main reasons for the national deficit.

But Mr Erkan's personal economy was, he admitted, not too bad. His farm contrasts sharply with those of the many peasants who scratch a living from the plots on the hills above the valley. He grows American hybrid varieties of maize which normally produce up to 4 tonnes per acre, a creditable yield by any standard. Sunflowers are another staple crop which on his land normally yield one tonne per acre of oil-bearing seed, while sesame produces a more modest 400 kg per acre but is much cheaper to grow.

The most profitable crop he grows, however, is cotton, the harvesting of which this year is now nearing completion. A yield of 1.75 tonnes per acre is normal for his farm and the micro-climate in the Menderes Valley combined with the fact that all the cotton is handpicked by women and therefore clean means that it can be sold at premium prices for the manufacture of high quality poplin.

In a few years' time he hopes to have the option of harvesting his cotton by machine to eliminate the necessity of employing women for the seasonal work. At the moment, however, the Turkish Government is discouraging the introduction of machine-picking by fiscal and other means to try to limit rural unemployment.

Around 50 per cent of the country's 53m population lives in rural areas and relies on agriculture for its livelihood. There is no unemployment benefit, indeed no proper infrastructure through which to administer such payments even supposing the economy could afford them. Jobless and landless peasants migrate to towns in the often vain hope of employment in industry, which, although claimed by the Government to be expanding at 6 per cent to 7 per cent annually, is unable to absorb them.

Mr Erkan employs 4 permanent staff on his 150 acres. The foreman who is left in charge of the farm during the least busy periods of the year when Mr Erkan joins his wife at their home in Istanbul, 350 miles to the north, is paid about £100 per month "plus a lot of benefits in kind." The other three men who drive tractors and generally work the land receive £40 to £50 per month net of tax. Needless to say the cost of living in rural Turkey is very low by European standards.

In spite of economic, cultural and religious differences, however, Mr Erkan is enthusiastic for Turkey to join the EC. And he claims that view is shared by the majority of Turkish citizens, particularly the intelligentsia. "We may live at the gateway to the orient but we feel and behave like Europeans," he said.

There can be no doubt of the impact on EC agriculture if Turkey became a member. It is an enormous country with a cultivated area 46 per cent larger than that of France, the present biggest agricultural producer in western Europe. In world terms Turkey ranks as the seventh largest producer of both wheat and cotton; sixth in tobacco; first in hazelnuts; and sixth in sheep.

Its climate, ranging from semi-tropical in the south to temperate in the north, has enabled it to be virtually self-sufficient in all food products except coffee for many years. And agricultural produce is still the country's main export earner.

But Mr Erkan was at pains to point out that this should not pose severe problems for the EC. "Most of our exports are commodities like nuts, raisins, sultanas, cotton and citrus fruit," he said, "which will not challenge the existing community." He felt in fact that some enterprises such as dairying, poultry, beef and sheep production would suffer through membership of the EC because of their relative inefficiency.

In anticipation of possible Community membership a great deal of capital from countries like the US, Germany, Japan and the UK is being invested in joint ventures to produce food and food products. The attraction is the low labour cost and the potential for dramatic expansion of production if and when EC cash begins to roll in and irrigation projects are completed.

The decision on whether Turkey is to be allowed to join is, according to Mr Claude Cheysson, the EC Commissioner for Mediterranean policy, likely to be made during the first half of 1989. That decision will, of course, be made more for defence and political reasons than because of agricultural considerations. And the pressure for a positive decision is building up.

As Mr Erkan reminded me, Mr Kenan Evran, the Turkish President, speaking in Germany a few days ago, made a veiled threat that if Turkey was not accepted into the EC his Government might have to look again to the East and to a union of Islam.

But while the President travels abroad pursuing Turkey's international ambitions Mr Turgut Ozal, the Prime Minister, is preoccupied with a growing crisis in the domestic economy. Inflation is running at 81.5 per cent; interest rates were last week pegged at 85 per cent; forecasts indicate that the 1988 budget deficit will be US$2.4bn – double its target; and the value of shares on the Istanbul Stock Exchange has fallen by 20 per cent since the beginning of October.

Chicago grain prices tumble

By Deborah Hargreaves in Chicago

CHICAGO'S GRAIN futures markets tumbled for the third day in succession yesterday as the Midwest crop harvest came to an end and farmers started selling some of their drought-depleted crops.

In addition, futures traders at the Chicago Board of Trade have been nervous about export demand in the past couple of days following the break-down of this month's talks in London about a new grain trading agreement between the US and the Soviet Union.

The rumoured rejection last week of a US maize shipment to the Soviet Union had originally sent the grain market plunging. But, although the rejection was denied – it was rumoured to have been made because the grain was found to be contaminated with a cancer-causing mould called aflatoxin – futures prices showed no sign of recovering yesterday.

"There's been a massive movement out of the market and a general bearish feeling," says Mr Steve Freed, grain analyst at Chicago brokerage firm, Dean Witter.

A lot of the selling in the grain markets has been for technical reasons, traders say, and further pressure has resulted from the outlook for better grain crops than had been expected in South American countries and a generally negative feeling on export demand.

"We are starting to re-evaluate our forecasts for export demand," explains Mr Bruce Nathanson, an analyst at Linnco Futures, "there isn't a huge amount of business pending."

Traders had been expecting that the maize and wheat markets would continue to be buoyed by exports this autumn. Maize shipments to the Soviet Union reached 4m tonnes in the last couple of months – close to a 30 per cent increase on last year's level.

However, export prospects have been dampened by the failure of US and Soviet authorities to agree to an extension of the five-year grain accord and Moscow has moderated its hitherto aggressive presence in the Chicago markets.

In addition, rains last weekend in Brazil and Argentina are expected to lead to an improvement in South American crops of maize and soyabeans.

Traders have been watching those growing areas carefully in the wake of the US drought and fear that producers will boost output to make up for the shortfall in the US harvest.

The prospect of increased exports had been supporting grain prices, at a time when, by tradition, they should be declining as the harvest is completed.

"It looks miserable right now," groans Mr Nathanson, "what's more, commodities are off across the board and that's affecting us too."

Cattle futures jittery as feedlot numbers decline

By Deborah Hargreaves

LIVE CATTLE futures prices were jittery on the Chicago Mercantile Exchange yesterday as the market struggled to find some direction in response to a Government cattle report that was released late on Friday.

The US Department of Agriculture's report showed a sharp decline in the number of cattle being fattened for slaughter in feedlots, where they are held for four to five months. The number of feedlot cattle dropped 5 per cent from a year ago to 8.6m head in the third quarter – in 13 major producing states.

The decrease in cattle held for fattening was accompanied by a record 6.3m head of cattle sent to market in the third quarter – a 2 per cent rise from a year ago.

The report shows the continuing effect of last summer's US drought on the cattle market, with breeders reluctant to hold cattle for fattening as their feed costs have risen along with strong grain prices. This impact will work its way down the cycle into next year, when the lower numbers of fattened cattle reach the market, according to Mr Tom Morgan, who runs Sterling Research, a commodities analysis firm.

Mr Morgan is confident this will boost cattle prices over the long term and could even mean a rise in the price of beef for consumers next year. But the futures price has not yet found a clear direction.

Cattle futures, which often move in an opposite direction to grain prices, were responding partly to falling maize prices yesterday. Traders believe that lower maize prices will encourage breeders to keep more cattle for fattening in coming months.

However, with cattle futures trading at a large premium to the Midwest cash price for cattle, futures are under some short-term pressure.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices on the LME continued their recent record-breaking advance yesterday, although retreating from earlier highs by the close after profit-taking. Prices were underpinned by the situation in Peru where the miners' strike is continuing despite the state of emergency, dealers said. In contrast aluminium prices closed down after news of a smaller than expected drop in LME stocks last week helped to reverse an earlier upward trend. Some selling against options was evident. The Peruvian strike helped to push zinc prices higher in the morning, but profit-taking developed and prices closed below Friday's levels. Gold prices declined from the opening, following oil prices down in the aftermath of last week's Opec meeting, which failed to agree on support measures, dealers said. Coffee prices closed firmer, but below earlier highs.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$10.35-0.45x	-1.17
Brent Blend	$12.20-2.33z	-1.08
W.T.I. (1 pm est)	$13.25-3.28x	-1.19
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$180-183	-2
Gas Oil	$112-113	-9
Heavy Fuel Oil	$55-56	-7.5
Naphtha	$128-130	-8
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$405.75	-4.25
Silver (per troy oz)♣	622c	-8
Platinum (per troy oz)	$527.00	-8.50
Palladium (per troy oz)	$121.50	-2.00
Aluminium (free market)	$2525	-45
Copper (US Producer)	150⅝-154c	+5.5
Lead (US Producer)	39.5c	+0.5
Nickel (free market)	525c	-10
Tin (European free market)	£4250	+15
Tin (Kuala Lumpur market)	19.70r	
Tin (New York)	343.75c	+0.25
Zinc (Euro. Prod. Price)	$1437.50	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	108.99p	-0.69*
Sheep (dead weight)†	144.78p	+3.37*
Pigs (live weight)†	72.59p	-1.87*
London daily sugar (raw)	$275.0w	+6.6
London daily sugar (white)	$274.0w	+6.0
Tate and Lyle export price	£266.5	+4.5
Barley (English feed)	£110.0z	-0.5
Maize (US No. 3 yellow)	£125.5v	
Wheat (US Dark Northern)	£118.25w	-0.50
Rubber (spot)♥	59.25p	-1.00
Rubber (Nov)♥	65.00p	-1.50
Rubber (Dec)♥	65.50p	-1.50
Rubber (KL RSS No 1 Nov)	286.0m	
Coconut oil (Philippines)§	$560w	-5
Palm Oil (Malaysian)§	$435u	
Copra (Philippines)§	$375	
Soyabeans (US)	$186	-2
Cotton "A" index	58.65c	+0.75
Woltops (64s Super)	660p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne	Close	Previous	High/Low
Dec	825	806	835 815
Mar	814	800	827 808
May	814	802	825 810
Jul	826	811	832 820
Sep	839	825	847 835
Dec	875	864	877 875
Mar	890	880	896 894

Turnover: 3818 (2605) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 21: 1013.93 (1018.96):10 day average for Oct 24: 993.51 (991.73) .

COFFEE £/tonne	Close	Previous	High/Low
Nov	1134	1123	1150 1128
Jan	1134	1128	1145 1127
Mar	1135	1130	1148 1130
May	1137	1138	1145 1130
Jly	1142	1140	1145 1135
Sep	1143	1133	1144 1130
Nov	1143	1133	

Turnover: 2418 (1745) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 21: Comp. daily 114.29 (114.05); . 15 day average 113.90 (114.54).

SUGAR ($ per tonne) Raw	Close	Previous	High/Low
Dec	245.00	244.00	239.80
Mar	234.80	233.80	235.60 229.80
May	229.00	228.20	229.40 223.60
Aug	224.20	223.00	225.00 220.00
Oct	221.00	220.20	221.00 218.00
White	**Close**	**Previous**	**High/Low**
Dec	276.00	275.00	274.00
Mar	268.00	265.00	265.50 260.00
May	263.50	262.00	263.50 259.00
Aug	263.00	262.00	260.00 259.20
Oct	261.00	260.00	261.50
Mar	261.50	260.00	261.00 260.00

Turnover: Raw 3865 (5052) lots of 50 tonnes. White 682 (1078) .
Paris- White (FFr per tonne): Dec 1675, Mar 1600, May 1585, Aug 1580, Oct 1580, Dec 1580

GAS OIL $/tonne	Close	Previous	High/Low
Nov	112.50	122.25	115.25 112.25
Dec	114.00	124.50	117.50 113.75
Jan	115.50	125.00	119.00 115.50
Feb	115.50	125.00	116.00 115.50
Mar	113.00	121.25	114.00 112.50
Apr	113.25		113.25 113.25
May	112.75		113.00 112.75
Jun	112.00		113.00 112.00
Jul	112.00		113.50 112.00

Turnover 8703 (4684) lots of 100 tonnes

GRAINS £/tonne Wheat	Close	Previous	High/Low
Nov	105.90	106.05	105.90 105.70
Jan	109.75	109.75	109.75 109.40
Mar	112.70	112.75	112.70 112.45
May	115.85	115.85	115.85 115.60
Barley	**Close**	**Previous**	**High/Low**
Nov	104.10	104.00	104.10 103.70
Jan	107.90	107.95	107.90 107.65
Mar	110.45	110.40	110.45 110.15
May	112.05	112.10	112.05

Turnover: Wheat 261 (137) . Barley 160 (307) . Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,525 tonne
Cash	2470-80	2573-5		2520-30		
3 months	2295-300	2333-5	2380/2290	2320-2	2310-5	17,209 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 7,675 tonne
Cash	1335-45	1404-6	1400	1400-5		
Dec. 21	1250-60	1312-5		1305-10		27,574 lots
Copper, Grade A (£ per tonne)						Ring turnover 62,750 tonne
Cash	1830-5	1798-800	1865/1862	1860-2		
3 months	1675-6	1643-4	1698/1674	1690-1	1676-7	61,791 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1715-25	1670-80		1720-50		
Jan. 4	1665-75	1635-40		1680-90		34 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	616-7	627-30		616-7		
3 months	629-31	640-3		629-31		437 lots
Lead (£ per tonne)						Ring turnover 6,600 tonne
Cash	378-9	377.5-8	381	380-1		
3 months	379.5-80	378-9	382.5/379.5	381-1.5	380-1	10,153 lots
Nickel ($ per tonne)						Ring turnover 1,296 tonne
Cash	11600-50	11650-700	11700/11500	11500-600		
3 months	10700-50	10850-900	10900/10600	10650-700	10700-800	5,703 lots
Zinc ($ per tonne)						Ring turnover 8,825 tonne
Cash	1607-12	1625-30	1630/1625	1625-30		
3 months	1480-2	1485-90	1506/1475	1490-5	1475-80	15,808 lots

POTATOES £/tonne	Close	Previous	High/Low
Nov	58.0	59.0	57.0
Feb	70.0	70.0	
Apr	95.5	96.0	96.5 95.4
May	106.8	107.0	107.2 106.5

Turnover 100 (56) lots of 40 tonnes.

SOYABEAN MEAL £/tonne	Close	Previous	High/Low
Dec	169.00	171.00	170.00 169.00
Feb	171.50	177.00	175.00 171.50
Apr	171.00	178.00	174.50 171.00

Turnover 681 (76) lots of 20 tonnes.

FREIGHT FUTURES $10/index point	Close	Previous	High/Low
Oct	1360	1357	1380 1362
Nov	1460	1450	1471 1460
Jan	1498	1500	1520 1498
Apr	1534	1540	1560 1534
Jul	1337	1335	1340 1337
BFI	1361	1328	

Turnover 440 (524)

LONDON BULLION MARKET Gold (fine oz)	$ price	£ equivalent
Close	405½-406	231¼-231¾
Opening	405-405½	231¼-231¾
Morning fix	406.30	231.933
Afternoon fix	405.50	231.384
Day's high	406¼-406¾	
Day's low	404-404½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	417½-422½	238-241
Britannia	417½-422½	238-241
US Eagle	417½-422½	238-241
Angel	416-421	237-240
Krugerrand	405-408	231-233
New Sov.	95½-98½	54½-55¼
Old Sov.	95½-98½	54½-55¼
Noble Plat	543.80-555.15	310.40-314.00
Silver fix	**p/fine oz**	**US cts equiv**
Spot	355.55	622.00
3 months	368.40	635.60
6 months	377.00	648.90
12 months	397.40	676.55

TEA
At this weeks auction there were 25,589 packages on offer including 3,000 in the offshore section, reports the Tea Brokers' Association. Assams attracted improved demand. The smaller selection of quality invoices sold readily and better mediums were often dearer but plainer sorts tended irregularly lower. Bangladesh teas met fair competition and remained about steady. Medium and brighter liquoring east Africans were well supported at firm to dearer rates but others declined by 2 to 5p. Ceylons came to an easier market except for better liquoring descriptions. Offshore teas met a good demand but prices proved irregular and often easier. Quotations: quality 162p (162p), medium 105p (100p), low medium 73p (73p).

LONDON METAL EXCHANGE TRADED OPTIONS Aluminium (99.7%)	Calls Nov	Calls Jan	Puts Nov	Puts Jan
Strike price $ tonne				
2300	169	178	15	161
2400	97	133	43	217
2500	48	90	93	281
Copper (Grade A)	**Calls**		**Puts**	
2900	302	243	16	204
3000	221	198	35	257
3200	99	128	112	383

US MARKETS

A STEADY DOLLAR and much lower crude oil prices kept the metal markets lower, reports Drexel Burnham Lambert. Gold and copper posted the largest declines. December gold fell $2.70 with trade selling seen. Profit-taking in copper sent prices down 300. Silver trading was quiet. In the softs, cocoa futures had an active session as speculative and trade buying rallied prices. Rollovers from next March contracts was also featured in the market. Sugar prices rose slightly as commission houses were buyers above the 10 cent level. Origin selling in coffee sent prices down over 150. In the meat markets, trading was brisk despite Fridays neutral report. Pork bellies posted the largest gain advancing over 150 points. The grain markets also started the week with heavy volume. Soyabeans and maize were both down sharply as commercial selling was seen throughout the session. In cotton trading, commission house activity kept prices higher as last weeks rally continued. The energy markets were the days biggest disappointment as crude oil prices fell over $1. OPEC countries announced that no production cuts will be made.

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Oct	405.5	408.4	408.0	404.8
Nov	407.2	409.7	0	0
Dec	408.8	411.5	410.0	407.1
Feb	413.8	416.7	415.1	412.1
Apr	419.1	421.9	420.0	417.7
Jun	424.3	427.2	425.0	423.0
Aug	429.4	[illegible]	[illegible]	[illegible]
Oct	433.3	[illegible]	435.2	433.2
Dec	440.9	[illegible]	440.9	439.5

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	528.2	538.9	530.0	526.0
Jan	527.2	537.9	538.5	525.0
Apr	529.6	539.1	539.5	528.0
Jul	535.2	[illegible]	[illegible]	533.0
Oct	[illegible]	541.2	541.5	539.5
Jan	547.4	547.7	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Oct	619.7	632.3	621.0	621.0
Nov	621.1	634.1	0	0
Dec	625.5	638.5	633.5	624.5
Jan	629.4	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	141.40	145.25	141.30	141.30
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Dec	13.32	14.37	13.65	13.21
Jan	13.38	14.36	13.65	13.36
Feb	13.38	14.36	13.67	13.36
Mar	13.41	14.41	13.75	13.41
Apr	13.50	14.46	13.79	13.50
May	13.60	14.52	13.87	13.58
Jun	13.68	14.58	13.90	13.64
Jul	13.60	14.64	14.00	13.60
Aug	13.99	14.70	14.10	13.99
Sep	14.30	14.76	14.30	14.30

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Nov	3990	4271	4110	3980
Dec	4142	4342	4180	4142
Jan	4196	4398	4220	4195
Feb	4179	4379	4215	4179
Mar	3984	4184	4025	3984
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	1362	1343	1364	1330
Mar	1333	1330	1340	1320
May	1342	1318	1350	1330
Jul	1355	1335	1361	1345
Sep	1376	1348	1385	1360
Dec	1418	1387	1410	1397
Mar	1448	1419	1439	1436

COFFEE "C" 37,500 lbs; cents/lbs	Close	Previous	High/Low	
Dec	125.08	128.64	128.85	125.05
Mar	126.38	127.28	127.75	126.15
May	126.28	127.54	127.90	126.35
Jul	125.45	127.49	127.50	126.00
Sep	125.43	126.00	0	0
Dec	124.59	126.00	0	0
Mar	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jan	10.07	9.83	10.07	10.00
Mar	10.36	10.26	10.44	10.09
May	10.13	9.98	10.15	[illegible]
Jul	9.97	9.82	9.98	[illegible]
Oct	9.82	9.68	9.85	[illegible]
Jan	9.63	9.40	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	[illegible]	187.75	[illegible]	183.60
Jan	173.35	[illegible]	[illegible]	171.60
Mar	171.50	[illegible]	[illegible]	169.35
May	[illegible]	[illegible]	0	0
Jul	[illegible]	[illegible]	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)	Oct 21	Oct 20	mnth ago	yr ago
	1891.5	1885.5	1851.0	1679.8
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	134.70	136.24	133.55	128.65
Futures	139.23	139.53	134.85	128.53

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Nov	765/4	774/6	773/4	755/4
Jan	780/4	789/0	787/4	770/0
Mar	789/4	799/6	796/0	780/0
May	792/6	801/6	798/0	783/0
Jul	790/4	799/4	798/0	781/4
Aug	782/4	790/0	788/0	773/0
Sep	744/0	747/0	747/0	736/0
Nov	717/4	719/2	723/0	712/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Dec	23.42	23.63	23.50	23.00
Jan	23.70	23.93	23.80	23.28
Mar	24.25	24.43	24.28	23.80
May	24.62	24.85	24.65	24.22
Jul	24.75	25.03	24.90	24.45
Aug	24.75	25.00	24.85	24.60
Sep	24.82	25.10	24.90	24.50
Oct	24.35	24.45	24.35	24.10
Dec	24.10	24.12	24.20	24.00

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Dec	245.2	250.7	249.0	242.5
Jan	245.2	250.7	249.0	242.5
Mar	245.2	250.2	249.0	242.5
May	243.2	247.7	246.0	240.6
Jul	241.2	245.7	244.0	238.0
Aug	236.5	241.0	239.0	234.0
Sep	230.0	233.0	230.0	225.0
Oct	219.0	220.5	219.0	215.0
Dec	215.0	217.0	215.0	213.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	277/4	283/4	282/4	276/4
Mar	282/2	288/0	287/0	281/0
May	284/6	290/2	290/0	283/6
Jul	283/2	289/4	288/0	283/0
Sep	269/2	271/0	271/0	266/4
Dec	259/2	259/4	259/6	256/4
Mar	265/4	265/6	263/4	262/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	415/6	419/4	420/0	412/2
Mar	423/6	422/4	424/4	417/4
May	404/6	408/0	407/0	403/0
Jul	367/2	370/4	369/0	365/0
Sep	372/6	374/4	374/0	370/4
Dec	379/0	380/0	379/0	379/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Dec	74.85	74.42	75.20	73.99
Feb	75.22	74.75	75.45	74.20
Apr	76.22	75.75	76.30	75.35
Jun	74.47	74.30	74.65	73.90
Aug	71.95	71.95	72.17	71.50
Sep	71.50	71.90	0	0
Oct	70.97	70.90	71.00	70.70

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Dec	42.25	41.87	42.35	41.32
Feb	46.25	45.77	46.42	45.25
Apr	44.95	44.40	45.10	44.05
Jun	49.25	48.85	49.25	48.60
Jul	49.27	49.10	49.60	48.95
Aug	48.42	48.20	48.70	48.10
Oct	45.65	45.20	45.80	45.15

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	51.25	49.82	51.45	49.20
Mar	51.67	50.32	52.05	49.82
May	53.52	51.92	53.60	51.37
Jul	54.10	52.50	54.37	52.35
Aug	52.58	50.75	52.75	50.60

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices October 21

MONTREAL

Closing prices October 21

Total Sales 6,520,814 shares.

INDICES

NEW YORK — DOW JONES

	Oct. 21	Oct. 20	Oct. 19	Oct. 18	1988 High	1988 Low	Since compilation High	Since compilation Low
φIndustrials	2183.50	2181.19	2137.27	2159.7	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.03	89.93	89.96	90.0	91.25 (3/3)	86.12 (4/1)	–	–
Transport	937.35	935.01	918.91	929.0	937.35 (21/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.70	186.34	183.74	185.0	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

φDay's High 2193.28 (2183.68) Low 2152.56 (2129.80)

STANDARD AND POOR'S	Oct. 21	Oct. 20	Oct. 19	Oct. 18	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	283.66	282.88	276.97	277.66	283.66 (21/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	326.84	326.07	318.81	321.44	326.84 (21/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	26.48	26.42	25.96	26.03	26.48 (21/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	159.42	159.01	156.18	156.48	159.42 (21/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	306.07	306.37	304.48	303.54	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp.	388.59	388.62	385.76	385.75	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 14	Oct 7	Sep 30	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.60	3.66	3.07
	Oct 19	Oct 12	Oct 5	year ago (approx.)
S & P Industrial div. yield	3.12	3.15	3.18	2.97
S & P P/E ratio	13.42	13.15	13.13	18.25

TRADING ACTIVITY † Volume Millions

	Oct 21	Oct 20	Oct 19
New York	195.410	169.580	186.350
Amex	9.441	8.961	9.432
OTC	138.722	132.677	142.559

NEW YORK	Oct 21	Oct 20	Oct 19
Issues Traded	1,952	1,965	1,955
Rises	747	1,051	549
Falls	679	418	914
Unchanged	526	496	492
New Highs	74	65	58
New Lows	12	13	12

CANADA

TORONTO	Oct 21	Oct 20	Oct 19	Oct 18	1988 High	1988 Low
Metals & Minerals	2948.1	2935.3	2917.7	2907.2	3226.5 (5/7)	2238.7 (8/2)
Composite	3416.8	3405.1	3380.6	3385.2	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1706.34	1696.42	1680.54	1685.26	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Nabisco RJR	7,295,400	76¼	– ½
Kraft Inc	4,383,200	92	+ 1¼
AT&T	3,896,700	27⅝	+ ⅛
Sears Roebuck	2,929,900	42⅝	+ 2¼
Brunswick	2,797,500	18¼	– 1¼
Union Carb	2,576,600	27⅝	+ ⅝
Wickes	2,411,400	8	+ ¼
Chrysler	2,178,600	27	+ ⅜
Gen Elec	2,175,400	44⅞	– ⅛
Exxon	2,140,200	46⅛	+ ⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

	Oct. 24	Oct. 21	Oct. 20	Oct. 19	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1587.4	1595.3	1591.1	1579.4	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	744.5	753.1	753.2	748.9	847.8 (9/8)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	219.4	219.5	219.4	219.3	219.50 (21/10)	163.98 (11/2)
BELGIUM Brussels SE (1/1/80)	5338.60	5332.20	5327.10	5328.00	5340.00 (11/10)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	241.21	239.95	238.43	238.15	241.21 (24/10)	180.68 (4/1)
FINLAND Unitas General (1975)	709.1	703.9	701.6	699.7	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	(u)	389.1	382.6	380.8	389.1 (21/10)	251.3 (29/1)
Ind. Tendance (31/12/87)	150.0	149.9	148.1	148.1	150.0 (24/10)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	530.13	534.31	530.59	538.27	538.27 (19/10)	396.40 (29/1)
Commerzbank (1/12/53)	1605.50	1616.80	1606.50	1631.00	1631.00 (19/10)	1207.9 (29/1)
DAX (30/12/87)	1281.22	1289.72	1295.21	1304.37	1304.37 (19/10)	931.18 (28/1)
HONG KONG Hang Seng Bank (31/7/64)	2562.46	2581.69	2584.04	(c)	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	590.84	590.97	592.69	592.65	592.69 (20/10)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	27281.54	27401.42	27390.55	27295.67	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2111.24	2126.56	2123.90	2118.17	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	281.2	281.0	280.1	282.0	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	246.9	247.4	247.9	248.4	248.4 (19/10)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	399.58	401.81	398.53	397.58	423.64 (21/7)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1044.47	1038.42	1022.33	1019.16	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1294.04	1326.0	1352.0	1366.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1806.04	1806.0	1808.0	1814.0	1821.0 (18/10)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	291.86	287.52	284.20	283.66	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	3208.50	3194.12	3169.43	3153.60	3208.50 (24/10)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	579.0	582.3	577.4	577.7	582.3 (21/10)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	471.0	468.8	464.2	471.0 (21/10)	401.0 (21/1)

**Saturday Oct. 22: Japan Nikkei 27,338.57 and TSE 2,118.91.
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 24 October 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	47.1m	549	+3
Mitsui Mining & Smelting	28.9m	680	+40
Cosmo Oil	25.8m	860	+10
Nippon Mining	23.3m	660	+40
Inpex	22.0m	782	+10
Nippon Yakin	22.4m	1,310	-10
Kobe Steel	19.3m	589	+3
Nippon Steel	18.5m	757	+2
Sei Elec	15.2m	1,280	+40
Mitsui OSK Line	15.0m	628	+3

3pm prices October 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A-A-A —								
27⅞	14	AAR	.44	1.7	18	231	25⅝	25⅜	25½	
10¼	8½	ACM n				66	8½	8⅜	8½	
12¼	10¾	ACMIn 1.26a		11.		280	11⅛	11	11⅛	
12¼	10⅛	ACMGc n1.20		12.		441	11	10⅞	10⅞	
10¼	8⅞	ACMSp n1.01		11.		240	9⅛	9⅛	9⅛	
5⅝	2⅝	AMCA				28	4	4	4	
6⅞	3⅝	AM Intl				1243	5⅝	5⅝	5⅝	
25⅛	17	AM Int pf 2		9.0		46	22⅝	22¼	22¼	− ⅛
51⅛	25⅛	AMR			8	4620	51¼	50⅝	50⅞	+ ½
27	23	ANR pf 2.67		10		11	26⅝	26⅝	26⅝	
5½	5⅛	ARX			11	34	7⅛	7⅛	7⅛	
58⅛	35¼	ASA	3	7.9		281	38⅜	37⅞	37⅞	− ⅜
22¼	9½	AVX	.12e		6	300	18⅞	18⅝	18⅝	
52⅞	42¼	AbtLab 1.20		2.5	15	2146	48⅝	48⅛	48½	
21⅛	15⅜	AbitibI g 1				106	18⅝	18⅝	18⅝	
13⅞	8⅞	AcmeC .40		4.4		63	9⅛	9	9⅛	+ ⅛
29½	10⅞	Aceto			27	177	25⅞	25⅝	25⅞	+ ⅛
17⅜	14⅛	ACMEx 3.06e		19.		127	16⅜	16⅛	16⅛	
19⅞	6⅞	AdamMl .24		1.3	17	82	18	17½	18	
16⅞	7½	AMD			17	4965	8⅜	8	8⅛	− ⅛
42½	29⅞	AMD pf 3		9.3		7	32⅝	32⅛	32⅛	− ⅜
8½	4⅞	AdobRs				63	7½	7½	7½	
18½	16⅛	Adob pf 1.84		10		3	17⅞	17⅞	17⅞	
9⅛	5⅞	AdvMed .12		1.7	13	482	7⅛	7	7½	− ⅛
53½	39½	AetnLf 2.76		5.4	8	x1258	51	50⅝	50⅞	+ ⅞
34⅛	22½	AlExPrs .20		.7		230	28⅝	28⅛	28⅛	− ⅛
18⅞	13	Ahmans .88		5.1	10	908	17⅛	17	17⅛	− ⅛
4⅝	1⅞	Aileen				20	4	4	4	− ⅛
52⅛	39	AirPrd 1.20		2.8	11	2731	42⅛	41⅞	41⅞	− ⅛
19⅞	11¼	AirbFrt .60		3.3	24	61	18⅛	17⅞	18⅛	
16¼	6⅞	Airgas			16	14	14⅞	14½	14⅞	− ⅛
23	14½	Airgas 2.40		13.	8	96	18½	18⅛	18⅛	− ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous Page

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AMEX COMPOSITE PRICES

3pm prices October 24

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 24

Stock	Div.	Sales 100s	High	Low	Last	Chng
ABW Bd		43 347	18⅝	18½	18¾	+ ⅛
ADC		9 726	12½	12	12	− ⅛
ASK		17 1171	14⅛	13⅛	14⅛	+1⅛
AST		7 673	8⅛	8⅛	8⅛	− ⅛
Acadia		34 [illegible]	1 11-16	1⅝	1 11-16	+ 1-16
Acmeflt	.05e	12 40	23⅛	23⅛	23⅛	− ⅛
ActARt s		32 1015	18⅛	18⅛	18⅛	− ⅛
Actmed		900 575	9	8⅛	9	
Acxiom		18 280	18⅛	18½	18⅝	+ ⅛
AdacLb		22 225	3⅞	3⅛	3⅛	
Adapt		26 16	5⅛	4⅞	5⅛	+ ⅛
Adiagen		10 128	25	24⅛	24⅛	+ ⅛
AdiaSv	.14	10 170	25⅛	25	25⅛	
AdobeS	.16e	31 723	49⅛	48⅛	49⅛	+ ⅛
AdvCir		29	4⅛	4	4⅛	
AdMkSv		18 77	15⅛	15⅞	15⅛	+ ⅛
AdvPoly		28	6	5⅛	6	− ⅛
AdvTel		72	17	16⅛	17	+ ⅛
AdvoSy		41 98	4⅛	4	4⅛	
AffilCp	.32	7 38	9⅛	9½	9½	− ⅛
AfilBsh		95 328	10⅝	10⅛	10½	
AgncyR	t	16 633	16⅛	16⅛	16⅛	+ ⅛
Agnico g	.20	271	10⅞	10⅛	10⅝	− ⅛
AirWisc	t	7 347	14⅛	14	14	− ⅛
Alafirst	1.10	23 7	19	19	19	
AlexBld	.08e	15 1380	24⅛	24⅛	24⅛	− ⅛
Aldus		22 662	16⅛	16⅛	16⅛	− ⅛

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AMERICA

Dow drifts lower in wait for latest economic data

Wall Street

AFTER marking the first anniversary of the October global crash with a surge to a new post-crash peak, trading turned cautious once again yesterday, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 4.80 points lower at 2,178.70 compared with last Friday's post-crash closing high of 2,183.50. Earlier, the index stood 12 points lower. Volume was moderately active with 96m shares changing hands by midsession.

The key economic indicator due this week is third quarter US gross national product together with the implicit price deflator scheduled for release tomorrow. Forecasts suggest that GNP grew by more than 3 per cent in the third quarter and that the deflator jumped by more than 4 per cent.

Also due this week are personal income and expenditure figures scheduled for release on Thursday. Otherwise, the stock market is likely to monitor progress in the bond market, which appeared to drag equities lower yesterday, the dollar, which has looked particularly vulnerable recently, and oil prices.

Crude oil futures traded sharply lower yesterday as dealers responded to the inconclusive break-up of the joint meeting of the price monitoring and long-term strategy committees of the Organisation of Petroleum Exporting Countries.

Oil companies, several of which announced quarterly results yesterday, weakened in response to lower oil prices. Exxon, which announced third quarter net earnings of 93 cents a share compared with 75 cents, dipped $⅛ to $45⅝. Atlantic Richfield slipped $⅝ to $82 in spite of sharply higher earnings in the third quarter of $2.17 a share compared with $1.71 a year earlier.

The motor for the market in recent weeks has almost exclusively been rampant takeover activity with interest triggered by news of some of the largest prospective deals in history.

However, the prospect of some keenly fought takeover battles did nothing to lift the market yesterday. Kraft signalled its intention to fight the $90 a share tender offer by Philip Morris. It said that the offer was inadequate and announced that it was developing a recapitalisation plan which would total around $110 a share, substantially outstripping the Philip Morris bid.

Kraft yesterday jumped $10¼ to $102¼ at midsession while Philip Morris added $⅝ to $97⅞.

The situation of RJR Nabisco took another turn yesterday as Wall Street leveraged buy-out specialist Kohlberg Kravis Roberts said it was willing to pay $90 a share for the company, more than the management has considered offering as part of its planned buy-out. RJR Nabisco yesterday jumped $8⅛ to $85¼ at midsession and was the most actively traded stock on the New York Stock Exchange.

Among other featured individual stocks yesterday was West Point-Pepperell, the sheets and towels manufacturer, which jumped $4¼ to $49⅝ on news that Farley, owner of the Fruit of the Loom underwear line, is offering $48 a share for the company.

Chicago Pacific, the manufacturer of household appliances, surged $13⅞ to $57¼ after the company announced it had agreed to be taken over by Maytag in a deal worth around $1bn. Maytag will begin a cash tender offer for about 49 per cent of Chicago Pacific at $60 a share.

Federal Express slipped $1½ to $49¼ on reports that its competitor United Parcel Service had begun a round of price cuts in its air freight service and introduced volume discounts for the first time.

Canada

LOWER oil and gold prices took Toronto stocks lower in moderate trading, with the composite index off 4.5 at 3,412.4 at midsession.

Inco reported higher earnings but fell C$⅛ to C$36.- Southam jumped C$1⅛ to C$27⅞ after agreeing to sell its stake in Selkirk, up C$1⅝ at C$44⅞. Maclean Hunter is buying the stake and its Class X shares were unchanged at C$13.

Among golds, Placer Dome lost C$⅛ to C$15⅞ and Corona slipped C$⅛ to C$8⅞.

EUROPE

Bullish banking news kicks Madrid into life

SPANISH stocks were the best performers in a sluggish Europe yesterday, with most bourses continuing their breather after recent gains, *writes Our Markets Staff.*

MADRID saw strong demand for bank stocks as their reporting week kicked off with good results from Banesto and as merger speculation turned to Banco Popular and Banco Hispano.

The general index climbed 4.34 to 291.86 and some renewed foreign buying was seen, according to one analyst, who said the 300-level in the index was now back in sight in the short-term.

Banesto, reporting a 37 per cent jump in annual consolidated pre-tax profits, climbed 15 percentage points to 1,075 per cent of nominal market value. Hispano added 29 points to 868 per cent of par and Popular put on 75 to 1,896 amid rumours that the two would separately link up with foreign banks. Santander, with third quarter earnings up 41 per cent, fell 7 to 952.

Uralita, the utility which recently acquired Aragonesa, added 40 points to 665, a jump of 6.4 per cent, and paper group Torras Hostench, which is taking control of Belgian pulp producer Cellulose des Ardenes, rose 15 to 2,450.

PARIS gained ground over a relatively quiet session dominated by takeover situations and stake-building. Interest rate and inflation concerns were still present in the run-up to the September trade deficit due on Thursday.

The CAC General index was steady at 389.1 and the OMF 50 index finished the session up 1 at 402.67. Volumes were estimated to be below FFr2bn worth of shares, after last week's average around FFr3bn.

Société Générale was a talking point after Mr Georges Pebereau, former CGE chairman, said he had built up a 9.16 per cent stake. The stock added FFr23 to FFr508 with the stake purchase seen as confirmation of a break-up of the hard core shareholdings in privatised companies.

Perrier powered ahead, adding FFr56 to FFr1,245 on probably the heaviest turnover of the session, at 87,000 shares. There was no concrete story behind the move, although Pernod's latest success in its battle for Irish Distillers could have pushed Perrier into the limelight, said one analyst.

Pernod fell back, losing FFr10 to FFr1,245, after an Irish court ruled in its favour on Friday regarding an oral agreement by FII Fyffes to sell its 20 per cent stake in Distillers to Pernod.

Continued rumours of a possible takeover or management buy-out pushed optical products group Essilor to a new high for the year, up FFr149 to FFr3,529, with over 17,500 shares dealt.

FRANKFURT saw trading activity dry up as foreign investors stayed away and the strength of the D-Mark both against the dollar and within the European Monetary System dampened local enthusiasm for shares.

Turnover shrank to a very low DM2.1bn worth of domestic shares and both main indices closed easier, with the FAZ at midsession down 4.18 at 530.18 and the DAX real time index off 8.50 at 1,281.22.

Exporting stocks with a big exposure to the US suffered in the downturn, with cars at the forefront. BMW fell DM6 to DM525.50 and Daimler lost DM5.20 to DM733. VW, which was said by a German newspaper to be considering pulling out of South America, shed DM5 to DM300. Chemicals were also weaker, and analysts said expectations of higher annual dividends were now fully built into the prices of the big three.

Banks remained under pressure from the possibility that the Government will end tax credits on their developing country loan loss provisions. There was a preliminary meeting yesterday between the big banks and finance ministry officials to discuss the issue. Deutsche Bank lost DM4.50 to DM530, but Bayerische Vereinsbank moved up DM8 to DM378 against the trend on a medium-sized buy order.

AMSTERDAM was little changed on the day in quiet trading, with the CBS all-share index off 0.3 at 99.6.

Royal Dutch shed Fl 2 to Fl 227 on the falling price of crude. Unilever was one of the few actively traded stocks, adding Fl 1.30 to Fl 117.70, and one analyst said investors could be switching out of Unilever PLC and into Unilever NV because of worries about the UK market.

MILAN continued its consolidation, with the Comit index easing just 0.13 to 590.84 in moderate trading. Weak oil prices and positive figures on economic growth, the trade balance and unemployment helped to underpin the market despite the evident temptation to take profits after its recent strong advance.

Benetton, the clothing group which received a listing in Frankfurt on Friday, was up L155 at L11,665.

ZURICH saw profit-takers appear in response to strong gains on Friday. The Crédit Suisse index eased 0.4 to 498.0 in moderate volumes.

Banks, which led Friday's rise, managed to climb further. Bank Sarasin bearers added SFr150 to SFr5,200 after news it had taken over private bank Jenni & Cie. Crédit Suisse bearers added SFr10 to SFr2,810.

STOCKHOLM was active with turnover reaching NKr438m, boosted by the Government's proposals for wide-ranging tax reforms. Bank shares were particularly firm on a central bank statement that European Community integration would encourage deregulation of the credit market. The Affärsvärlden index put on 5 to 942.

BRUSSELS had a thin session on the last day of the fortnightly trading period, with the cash index up 6.44 at 5,338.67. Luxembourg-based steelmaker Arbed added BFr100 to BFr3,819 as 35,600 shares changed hands.

OSLO closed mostly lower in active trading with the all-share index off 2.33 at 287.68.

SOUTH AFRICA

THE drop in the bullion price was again responsible for falls in Johannesburg, where gold stocks ended lower. Vaal Reefs fell R6 to R261.50, Randfontein lost R4 to R256 and Freegold gave up R1.25 to R30.25. Diamond issue De Beers eased 50 cents to R47.

Keeping in step with the big one

Patrick Harverson charts the early life of the newest Japanese index

THE ISE/Nikkei 50 index, launched in July, is proving a useful, if at times complicated, guide to the performance of 50 blue chip Japanese equities traded in London and Tokyo.

Designed in part to draw attention to the growing importance of London as the prime market for Japanese equities traded outside Japan, it allows market makers and investors to judge at a glance how 50 of the 71 Japanese equities on Seaq International have traded each day.

More often than not the ISE/Nikkei 50 faithfully tracks the Nikkei 225 in Tokyo. Like the servants of royalty, it follows its master a few discreet steps behind. Yet there are occasions when news will break in London while Tokyo is closed, giving UK market makers and investors a head start on their Japanese counterparts.

An example of London splashing out on its own came on October 13, when news broke after the close of trading in Japan that Nihon Land, the property group, had gone bankrupt. This unsettled Japanese shares traded on Seaq International in London, and the ISE/Nikkei closed nearly 10 points down on the day, a sizeable fall by its standards, although only of 0.6 per cent. The following day the Nikkei 225 ended 136 lower in Tokyo, although the fall was attributed to other factors and the bankruptcy had only a limited impact.

London can also take the lead when less public, but equally important, decisions taken by investors in London are passed on by UK market makers to their colleagues in Japan. "If our clients are chasing any one stock or sector for a particular reason we will make sure we bring it to the attention of our office in Tokyo," explained one London market maker.

The first four months of the index have not passed without a few teething problems. Two months after the ISE/Nikkei was launched, the ISE noticed that the index always opened down by about 3 points on the closing value in Tokyo, regardless of market conditions.

When the ISE approached market makers, it discovered that the discrepancy was down to the 0.55 per cent tax for which London's dealers are liable when selling stock in Tokyo. To make up for this levy, London market makers were quoting a lower bid price than they should have been under normal market conditions, which had the effect of bringing down the mid-price. The ISE uses the mid-price to calculate the index, and the distortions caused by the deliberately depressed bid-price fed through each morning to the ISE/Nikkei index.

To eradicate the problem the ISE adjusted its calculation of the ISE/Nikkei to take the tax into account. The ISE has since made other, small adjustments to the calculation of the index, mostly because of share splits, but it has no plans to make any significant changes to the ISE/Nikkei 50 until its first comprehensive review next January.

ASIA PACIFIC

Investors await action on tax front

Tokyo

INVESTORS were not ready yesterday to take an active interest in the equity market and trading followed a typically sluggish Monday course, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average fell a modest 57.03 to close at 27,281.54 in thin turnover of 594m compared with 1.04bn on Friday. The day's high was 27,377.85 and the low 27,258.07, and falls led advances by 464 to 336, with 158 issues unchanged.

The TOPIX index of all listed shares lost 7.67 to 2,111.24. In later trading in London the ISE/Nikkei 50 index rose 2.37 to 1,728.95.

Institutional investors in particular are showing a lack of interest in equities, according to Mr Norio Watanabe, director of Credit Suisse Investment Advisory. Trust funds are said to have been losing subscribers since August and this has been behind the marked decline in trading.

In turn, dealers are said to be focusing on medium-sized issues that are not held by trust funds and are therefore less likely to be sold off quickly on profit-taking. Blue chips, which make up a large portion of the trust funds, are therefore performing badly.

Mr Watanabe believes interest is not likely to be renewed until there is some development over the proposed capital gains tax. Discussions are currently being stalled by the Recruit share sale scandal involving several prominent politicians.

Other analysts still feel there is the possibility of a rally that will take the Nikkei to a new high as soon as new incentives appear. "Participants are waiting to see who will take the lead," says Mr Makoto Matsuzaki of the security sales division of Goldman Sachs. Mr Matsuzaki thinks that despite its recent lethargy the market holds the potential for a burst of activity. "Anything could trigger a new rally," he says.

Activity was concentrated yesterday in issues that have specific incentives, particularly those that are backed by the most popular theme of late: property assets. Among them Isuzu Motors rose Y24 to an all-time high of Y804 in morning trading. The company was in favour because of the latent value of its plant in Kawasaki, a city to the west of Tokyo that has been undergoing considerable development, as well as plans to redevelop its head office in Tokyo. Isuzu Motors, which has also been seen as relatively cheap, eased back towards the close and ended up Y3 at Y782.

There was renewed interest in nonferrous metals, a recurring theme amid speculation about gold finds in Hokkaido, the northernmost island of Japan. Mitsui Mining and Smelting, the second most heavily traded issue at 33.9m shares, rose Y40 to Y660, while Nippon Mining gained Y12 to Y730 in heavy trading.

Oil refiners were selected again on the strength of their restructuring efforts and the benefits they would accrue from cheaper crude prices. Cosmo Oil was the third most heavily traded issue and added Y29 to Y989. Nippon Oil rose Y40 to Y1,230 in heavy trading. Mitsubishi Oil, however, lost Y50 to Y1,330 in profit-taking, after rising Y20 to Y1,390.

Steels were mixed. Kawasaki Steel, the volume leader at 47.1m shares, added a small Y3 to Y948, and Nippon Steel, though still heavily traded, rose only Y2 to Y787. Kobe Steel remained unchanged at Y668 and Sumitomo Metal lost Y4 to Y717.

Investors in Osaka were equally unenthusiastic and share prices turned down. The OSE average lost 60.96 to 25,297.94. Volume fell to 47m shares compared with 91m on Friday. Steels were the volume leaders with Sumitomo Steel at 5.1m shares followed by Kawasaki Steel at 4.8m shares. Sumitomo rose Y3 to Y723 while Kawasaki added Y10 to Y484.

Roundup

THE spotlight was again on Taiwan in Asia Pacific markets, as Taipei share prices rose for only the second time in a month. Other markets closed little changed after generally lacklustre sessions.

TAIWAN gained ground for the second straight session, having fallen by 36 per cent over the previous 19 sessions, as government-orchestrated buying helped restore a measure of confidence. The weighted index put on 160.37 to 5,900.03 after gaining 124.33 on Saturday.

In another move aimed at boosting demand, the Finance Ministry agreed, subject to cabinet approval, to allow US insurance companies in Taiwan to invest in Taipei equities up to one-third of the funds they raise locally. Foreigners are barred from investing directly in the market and must go through funds listed overseas.

AUSTRALIA was taken lower by falling bullion prices and the All Ordinaries index shed 7.9 to 1,557.4 in what was seen as a mild correction after last week's strength. National turnover was 107m shares worth A$216m.

There was some concern over news that Bell Resources is to sell its 5.5 per cent stake in BHP, with BHP sliding 14 cents to A$7.98 and Bell Resources losing 1 cent to A$1.45. Cadbury Schweppes gained 53 cents to A$4.11 from a day's high of A$4.40 after news of a takeover by its British parent.

In golds, Western Mining dropped 22 cents to A$5.18, Metana 20 cents to A$5.90, Whim Creek 8 cents to A$1.95 and Placer Pacific 4 cents to A$2.21.

Sons of Gwalia rose, however, adding 6 cents to A$5.80 and North Flinders Mines put on 10 cents to A$5.70. Pan Australian gained 15 cents to A$3.90 after Sino Securities won court approval to go ahead with the sale of a 38.7 per cent stake in Pan.

SINGAPORE ended stronger but off the day's highs as profit-taking set in after early demand spurred by news of a cut in corporate tax and by the Malaysian budget announcements on Friday.

The Straits Times Industrial index added 6.05 to 1,044.47, with turnover falling to 29m shares from 35m on Friday, hit in part by a holiday in Malaysia.

HONG KONG had a lacklustre session with what little interest there was provided by Hongkong Shanghai Hotels, which faces a bid from investment firm Cathay City.

The Hang Seng index ended the session 19.23 lower at 2,562.46. Turnover totalled HK$641m against HK$801m last Friday.

Hongkong Hotels returned to trading after a four-day suspension and topped the active list, ending up 58 cents at HK$5.40. Cathay City, offering HK$4.80 cash plus one new HK$1.50 share for each Hongkong Hotels share, also resumed trading and finished unchanged from its previous close at HK$1.52.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 21 1988					THURSDAY OCTOBER 20 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	149.46	-0.2	125.73	121.53	4.09	149.70	125.89	121.07	152.31	91.16	114.79
Austria (17)	95.32	+1.0	80.18	88.44	2.43	94.35	79.34	88.18	98.18	83.72	96.24
Belgium (63)	128.46	+1.0	108.06	119.75	4.22	127.23	106.99	119.70	139.89	99.14	111.59
Canada (125)	125.61	+0.1	105.66	109.28	3.10	125.42	105.47	108.85	128.91	107.06	106.46
Denmark (39)	143.57	+1.6	120.77	134.49	2.24	141.37	118.88	133.58	143.57	111.42	110.59
Finland (26)	123.90	+1.9	104.22	110.30	1.51	121.63	102.28	108.74	139.53	106.78	-
France (130)	105.75	+1.8	88.96	100.94	3.22	103.89	87.37	100.31	105.75	72.77	90.99
West Germany (102)	85.96	+1.8	72.31	79.57	2.33	84.40	70.98	79.09	85.96	67.78	87.14
Hong Kong (46)	105.69	-0.1	88.90	106.00	4.77	105.76	88.94	106.08	111.86	84.90	133.19
Ireland (18)	142.33	+0.5	119.73	134.38	3.75	141.65	119.12	134.67	144.25	104.60	123.12
Italy (100)	84.35	+0.6	70.96	83.66	2.40	83.82	70.48	84.00	84.35	62.99	85.14
Japan (456)	169.75	+0.8	142.79	135.57	0.54	168.45	141.66	135.44	177.27	133.61	131.71
Malaysia (36)	139.44	+1.8	117.29	143.49	2.97	136.93	115.15	140.91	154.17	107.83	124.78
Mexico (13)	156.48	+0.0	131.63	391.28	1.39	156.45	131.57	391.20	180.07	90.07	292.74
Netherland (38)	109.31	+0.9	91.95	100.28	4.91	108.31	91.08	100.47	110.66	95.23	102.81
New Zealand (26)	73.52	+1.8	61.85	62.73	6.26	72.24	60.75	62.11	84.05	64.42	104.67
Norway (25)	119.03	+0.7	100.13	107.07	2.71	118.21	99.41	106.89	132.23	98.55	139.21
Singapore (26)	121.67	+1.2	102.35	112.59	2.42	120.20	101.08	111.28	135.89	97.99	108.82
South Africa (60)	111.56	+0.8	93.84	97.55	4.40	110.71	93.10	98.77	139.07	98.26	149.91
Spain (42)	149.56	+1.4	125.81	133.42	3.00	147.53	124.07	132.56	164.47	130.73	145.40
Sweden (35)	129.49	+1.0	108.93	118.61	2.41	128.16	107.78	117.92	129.49	96.92	116.06
Switzerland (56)	83.83	+1.7	70.52	78.35	2.15	82.45	69.34	77.83	86.75	74.13	89.09
United Kingdom (321)	137.21	-0.2	115.42	115.42	4.56	137.45	115.59	115.59	141.18	120.66	124.43
USA (581)	115.55	+0.2	97.20	115.55	3.46	115.30	96.96	115.30	115.55	99.19	101.29
Europe (1012)	113.48	+0.7	95.46	101.16	3.66	112.69	94.77	101.03	113.48	97.01	106.10
Pacific Basin (681)	166.34	+0.7	139.92	133.70	0.77	165.13	138.87	133.55	172.26	130.81	130.77
Euro-Pacific (1693)	145.23	+0.7	122.16	120.60	1.68	144.19	121.25	120.46	147.53	120.36	120.95
North America (706)	116.07	+0.2	97.64	115.18	3.44	115.83	97.41	114.92	116.07	99.78	101.57
Europe Ex. UK (691)	98.59	+1.4	82.94	92.45	2.94	97.21	81.75	92.12	98.59	80.27	94.73
Pacific Ex. Japan (225)	125.29	+0.1	105.39	110.27	4.29	125.15	105.25	109.87	128.27	87.51	119.57
World Ex. US (1891)	144.22	+0.7	121.32	120.11	1.74	143.22	120.44	119.98	146.49	120.26	120.85
World Ex. UK (2151)	132.70	+0.6	111.63	118.81	2.07	131.89	110.91	118.60	132.70	111.77	112.18
World Ex. So. Af. (2412)	133.22	+0.5	112.06	118.62	2.29	132.50	111.43	118.44	133.22	113.26	113.03
World Ex. Japan (2016)	115.54	+0.4	97.19	110.08	3.56	115.10	96.80	109.87	115.54	100.00	104.44
The World Index (2472)	133.09	+0.5	111.95	118.48	2.30	132.37	111.32	118.31	133.09	113.37	113.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Latest prices were unavailable for this edition.

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